

**APPRAISAL OF
THE PROPERTY OF
CITY OF ANNAPOLIS
KNOWN AS
932 SPA ROAD (WEST SIDE) AND
935 SPA ROAD (EAST SIDE)
ANNAPOLIS, MARYLAND 21401**

Prepared for

Mr. Brian D. Snyder, CPPO
Procurement Officer
City of Annapolis - Central Purchasing
161 Duke of Gloucester Street
Annapolis, MD 21401

Effective Date
April 26, 2018

Appraiser
George L. Peabody, MAI



George L. Peabody, MAI
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May 11, 2018

Mr. Brian D. Snyder, CPPO
Procurement Officer
City of Annapolis - Central Purchasing
161 Duke of Gloucester Street
Annapolis, MD 21401

Re: Appraisal of 932 Spa Road (west
side) and 935 Spa Road (east side),
Annapolis, Maryland 21401

Dear Mr. Snyder:

In accordance with your request, I have made a complete appraisal of the above-captioned properties. The purpose of this appraisal is to estimate the fee simple fair market value of the subject properties assuming that re-development of the properties is pursued, as of the effective date. This appraisal is summary in format and conditioned with regard to the following assumption:

As the purpose of this appraisal is to transfer a "clean" property, no potential environmental contamination or hazardous contamination conditions are assumed. The appraiser was not supplied with, nor made aware of, any environmental studies performed on the property which would indicate or suggest the presence of potentially toxic or otherwise environmentally hazardous contamination on the subject property. The appraiser, who is not trained/skilled for environmental assessment, observed evidence which might provide environmental engineers/investigators with concern that potentially toxic or otherwise environmentally hazardous contamination may have occurred on the subject site. That evidence includes industrial operations, vehicle maintenance, fuel dispensing, and the properties' history as a possible incinerator site. Environmental contamination or the presence of hazardous conditions may significantly affect the value estimated; therefore, this appraisal is contingent on the assumption that the subject property is free from any environmental hazards. If subsequent information is obtained indicating that this assumption is incorrect, then this appraisal and any estimates of value contained herein must be reconsidered.

This analysis required significant appraiser estimates as to zoning-acreages and density calculations as discussed in the appraisal. It is recommended that a current property survey and a land planner/engineer more accurately estimate the subject's development density potential. From the appraiser's estimate of zoning-acreages the following assumption is made. It is an assumption of this appraisal that the subject's subdivision density is 19 townhouse lots (2 of which are MPDUs) on 932 Spa Road (west side) and 64 townhouse lots (7 of which are MPDUs) on 935 Spa Road (east side). If subsequent information is obtained indicating that this assumption is incorrect, then this appraisal and any estimates of value contained herein must be reconsidered.

The effective date of this appraisal is April 26, 2018. The property rights appraised consist of the fee simple estate.

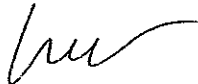
As a result of this appraisal, and subject to the Underlying Assumptions and Contingent Conditions contained herein, it is my opinion that the fee simple fair market value of the 932 Spa Road (west side) subject property, as of April 26, 2018, was **NINE HUNDRED THOUSAND DOLLARS (\$900,000)**.

As a result of this appraisal, and subject to the Underlying Assumptions and Contingent Conditions contained herein, it is my opinion that the fee simple fair market value of the 935 Spa Road (east side) subject property, as of April 26, 2018, **THREE MILLION THREE HUNDRED THOUSAND DOLLARS (\$3,300,000)**.

Thank you for this opportunity to have been of service.

Very truly yours,

PEABODY & ASSOCIATES, LLC



George L. Peabody, MAI
Maryland General Certified
Appraiser # 04-2188

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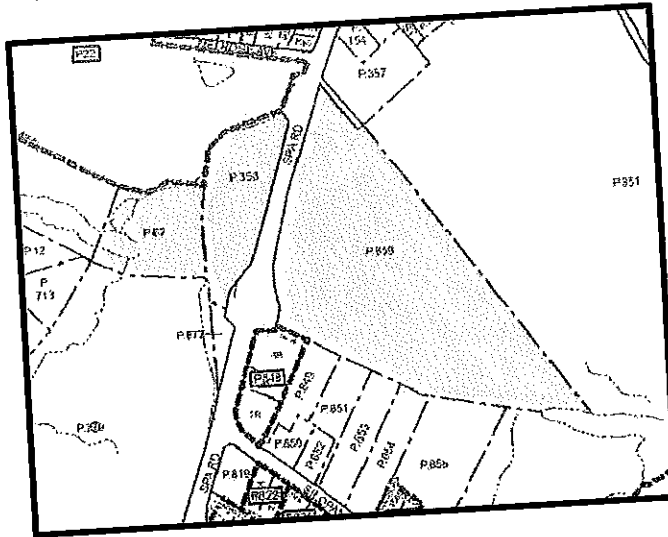
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SUMMARY OF IMPORTANT DATA AND CONCLUSIONS

LOCATION:	932 Spa Road (east side) and 935 Spa Road (west side), Annapolis, Maryland 21401	
OWNER OF RECORD:	City of Annapolis	
LAND AREA:	932 Spa Road	3.73 acres
	935 Spa Road	8.24 acres
IMPROVEMENTS:	932 Spa Road	Industrial building, two portable office buildings, salt-dome, paving, fencing, storm water management infrastructure and natural vegetation.
	935 Spa Road	Fuel dispensing infrastructure (tanks and pipes removed), partial graded site, small snack stand/bathroom building, linear playing field, metal bleachers, macadam, gravel, and dirt surfacing, fencing, and natural vegetation.
ZONING:	932 Spa Road	R1, Single-Family Residence, R2, Single-Family Residence and R3, General Residence Districts with RCA, LDA, and IDA Chesapeake Bay Critical Areas (City of Annapolis)
	935 Spa Road	R2, Single-Family Residence and R3, General Residence Districts with RCA, LDA, and IDA Chesapeake Bay Critical Areas (City of Annapolis)
HIGHEST & BEST USE:	Eventual townhouse development under planned development use/alternative as defined by the zoning classification.	
PROPERTY RIGHTS APPRAISED:	Fee Simple Estate	
ESTIMATED FAIR MARKET VALUE:	932 Spa Road	935 Spa Road
COST APPROACH:	N/A	N/A
SALES COMPARISON APPROACH:	\$900,000	\$3,300,000
INCOME APPROACH:	N/A	N/A
FINAL FAIR MARKET VALUE:	\$900,000	\$3,300,000
EFFECTIVE DATE:	April 26, 2018	
EXPOSURE TIME:	12 months	
APPRAISER:	George L. Peabody, MAI	

PROPERTY IDENTIFICATION

The subject's street address is 932 Spa Road (west side) and 935 Spa Road (east side), Annapolis, Maryland 21401. 932 Spa Road (the west side Salt Dome Parcel) is further identified on Anne Arundel County Tax Map 51F, Grid 1, as Parcel 62 and Parcel 358 (an unreferenced Parcel number). 935 Spa Road (the east side Weems Whalen Field property) is further identified on Anne Arundel County Tax Map 51F, Grid 8, as Parcel 859. A copy of the relevant portion of the Anne Arundel County tax map and an aerial photograph from the Arundel County Department of Public Works Utilities and Monuments web site showing the approximate location of the subject follows:



northerly view



northerly view

PURPOSE OF APPRAISAL

The purpose of this appraisal is to estimate the fee simple fair market value of the subject property, as of the effective date.

FUNCTION AND INTENDED USE OF THE APPRAISAL

It is understood that the appraisal will be used by the client, City of Annapolis, in the course of its negotiations to dispose of the property, possibly as a land swap.

SCOPE OF APPRAISAL (EXTENT OF DATA COLLECTION PROCESS)

The scope of this appraisal included an inspection of the site. The inspection, deed, assessment data, and available planning data were reviewed. Factual data including the zoning of the property, assessment information and the availability of public utilities was obtained from the appropriate government sources and various City of Annapolis officials. Interviewed officials with the City of Annapolis include Mr. Tom Smith Chief of Current Planning, Department of Planning & Zoning, Betsey McKeown, Public Works, and Brian Snyder, Procurement Officer, Central Purchasing.

The fair market value of the subject property shall be estimated by the sales comparison approach. The income approach and cost approach are not applicable.

Sources knowledgeable in the local real estate market were interviewed to project probable trends regarding residential and institutional properties. In addition, private publications (investment and real estate trade journals) were consulted as supplemental sources in providing information on general market perspectives and trends.

Finally, an exposure time is estimated for the subject property.

DEFINITION OF FAIR MARKET VALUE FOR CONDEMNATION ACTIONS

(Annotated Code of Maryland, Real Property Section, Article 12-105)

"The fair market value of property in a condemnation proceeding is the price as of the valuation date for which the highest and best use of the property which a vendor, willing but not obligated to sell, would accept for the property, and which a purchaser, willing but not obligated to buy, would pay, excluding any increment in value proximately caused by the public project for which the property condemned is needed. In addition, fair market value includes any amount by which the price reflects a diminution in value occurring between the effective date of legislative authority for the acquisition of the property and the date of actual taking if the trier of facts finds that the diminution in value was proximately caused by the public project for which the property condemned is needed, or by announcements or acts of the plaintiff or its officials concerning the public project, and was beyond the reasonable control of the property owner."

PROPERTY RIGHTS APPRAISED

The property rights appraised consist of the fee simple estate.

Fee Simple Estate is defined as "Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat". (The Dictionary of Real Estate Appraisal, Fifth edition, 2010, page 78)

DATE OF INSPECTION AND EFFECTIVE DATE OF APPRAISAL

A representative of the property owner, Ms. Betsey McKeown, Public Works Department, City of Annapolis accompanied the appraiser during the property inspection. The subject property was inspected and photographed on April 26, 2018, and this shall be the effective date of the appraisal.

NEIGHBORHOOD DESCRIPTION

The subject property is located in the Spa Road corridor area within the City of Annapolis.

City History

Annapolis was incorporated as a city in 1694 and was a major colonial port serving central Maryland for importing and exporting goods. During this time, Annapolis became the capital of the province which furthered its importance to the colonies. The Treaty of Paris, ending the Revolutionary War, was ratified in Annapolis. For a short period, the City served as the capital of the United States. Annapolis has continued its importance in government by being the state capital and the seat of government for Anne Arundel County.

During the nineteenth century, newer travel routes and the development of freight railroads made Baltimore, located 24 miles to the north, the major commercial center in the region. As a result, Annapolis remained a small city. Being the state capital and the seat of Anne Arundel County, government was the mainstay of its economic base.

The city is home to St. John's College and The United States Naval Academy. St. John's College is a private liberal arts college known for its distinctive curriculum centered on reading and discussing the Great Books of Western Civilization. It was opened in the year 1789 as the successor of King William's School, which was established by an act of the Maryland assembly in the year 1696 and was started in 1701. The U.S. Naval Academy was established in 1845 in Annapolis and its mission of training future U.S. naval officers ever since has made Annapolis a well-known city throughout the United

States. While well-known because of the Naval Academy, Annapolis is much more than simply its home. Today Annapolis is known as the "Sailing Capital of the World" due to the strong recreational boating industry in and around Annapolis. Annapolis is both a historical city as well as a living city of today.

Transportation

A good quality regional roadway network serves Annapolis. This network includes U.S. Route 50/301 (which passes just to the northwest of the City and has been upgraded to interstate status), I-97, and Maryland Route 2. U.S. Route 50/301 leads west to Washington, D.C. (24 miles from Annapolis) and east to the Chesapeake Bay Bridge and the eastern shore. Maryland Route 2 leads north to Baltimore and south to southern Maryland. I-97 leads to the BWI Airport and the BWI/Odenton Amtrak Station and the Baltimore Beltway.

Major arterial roadways serving the city itself include Rowe Boulevard (a four-lane roadway which leads from U.S. Route 50/301 to the central/historic district of the city); Aris T. Allen Boulevard/Forest Drive (which roughly parallels the city's southwesterly boundary and is the primary access to the easterly parts of the Annapolis Neck peninsula), and West Street (which runs westerly from the central/historic district to the Parole area).

U.S. Route 50/301 has interchanges in Parole and at Rowe Boulevard which provide direct access to several major arterial roadways that penetrate the City. These arterials include Rowe Boulevard, Forest Drive, and West Street. Also, Aris T. Allen Boulevard bypasses traffic "bottle necks" in the Parole area and serves the residential areas of southeastern Annapolis Neck peninsula.

Mass transit service is available within the City and its outskirts by bus service provided and partially financed by the local City government. There is a State of Maryland commuter bus service/shuttle managed by the Maryland Transportation Authority (MTA), connecting Annapolis with the Baltimore, New Carrollton and Washington Metro train stations. This provides a much needed publicly funded commuter link between the cities of Baltimore, Annapolis and Washington. There is no rail service to the Annapolis area.

Demographics

Population growth within the City of Annapolis in the 1990's had been very moderate. However, with annexations, new development, and in-fill development, population has increased through much of the 2000's. This City trend is matched on the Anne Arundel County land areas surrounding the City of Annapolis where there has also been significant new residential and neighborhood commercial development.

The most recent population estimates published by the Government of the City of Annapolis places the 2010 population at 38,394, a 7.1% increase over the 2000 census, and a 14.2% increase over the 1990 census population. The 2014 population is estimated to be 38,856, the 2015 population at 39,474, and the 2016 population at 39,418. Annapolis is approximately 7% of Anne Arundel County's population. The greater Annapolis Neck area has approximately 70,000 people. The total number of households in the City was 14,061 in 1990, 15,303 in 2000, 16,133 in 2010, and 17,592 in 2016.

Income

The median household income for the City of Annapolis was \$45,374 in 1990, \$67,080 in 2000, \$70,229 in 2010, \$70,689 in 2012, \$72,214 in 2015, and \$74,187 in 2016.

City Physical Features

Annapolis is situated in the east/central portion of Anne Arundel County; near the confluence of the Severn River and Chesapeake Bay. The city is irregularly shaped by water frontage on the Severn River and several tributary creeks. The city is roughly bound on the north by Weems Creek and U.S. Route 50/301, to the east by the Severn River and the Chesapeake Bay, to the south by Forest Drive (some recently annexed portions of the City are on the southerly side Forest Drive) and the residential areas of Annapolis Neck (a peninsula created by the Severn and South Rivers) and, finally, to the west by the commercial district of Parole and Maryland Route 2. Including the recent annexations, the City totals 7.2 (±) square miles, including approximately 370 acres for the U.S. Naval Academy.

The City's topography extends from sea level in the east to just over 100 feet in the southwest. The City is typically characterized by level or near level land (with elevations between 25 to 40 feet above sea level). A dominant natural feature is its waterways which provide a total shoreline length of over 17 miles, more than two miles of shoreline for each square mile of area.

City Employment and Industry

While the greater Annapolis area is considered somewhat of a "bedroom" community for the Washington and Baltimore metropolitan areas, the City of Annapolis continues to be the primary employment center. In 1990, the jobs in the City of Annapolis totaled 32,121, were 33,121 in 2000 and according to the City of Annapolis Government website, the 2009 projection of jobs in the city is 34,060, and bestplaces.net estimates the 2016 population to be 39,474. According to the most recent City of Annapolis data, the 2010 unemployment rate was 6.4%, up from 5.9% in 2009 and 3.7% in 2008. bestplaces.net estimates the 2016 City of Annapolis unemployment at 4.0%, down from 4.5% in 2014 and down from 6.3% in 2011.

In terms of real estate and square footage, the city's website breaks down total square footage in the City of Annapolis as 513,496 square feet in the industrial sector, 1,407,328 square feet in the flex space sector, and 4,443,365 square feet in the office sector.

Recently Completed Projects In and Adjacent to the City of Annapolis

Over the last decade the following new development re-development has occurred in and around Annapolis.

Construction was completed on Phase 1 of Park Place; a major redevelopment of an 11 (±) acre site at Westgate Circle which includes an upscale 225 room Westin hotel, 250,000 square feet of offices, 60,000 square feet of retail, 208 luxury condominiums, and 1,056 space parking garage. Phase 2 is a performing arts center. In 2009, 100,000 square feet of office space was purchased (as well as the adjoining vacant land tract as a land holding for future development) by a plumber's union for a corporate headquarters.

In 2013, in the central block of West Street, the Uptown at Murray Hill residential development featuring a total of 30 dwellings (mostly townhouses with several and single-family-detached dwellings) was completed. These dwelling experienced a very rapid sellout. Prices range from \$450,000 to \$550,000 for townhouse units and \$700,000 to over \$875,000 for single-family-detached dwellings.

The Knighton Garage is a five level, 270 space parking garage in the inner West Street area.

1901 West Street is a 300 unit apartment project on outer West Street opened for initial occupancies in 2007 and is currently at 90-95% occupancy.

Acton's Landing (a 79 unit condominium, townhouse, and single-family-detached subdivision with a parking garage) is on the old Annapolis Hospital site in the Historic District.

Annapolis Towne Center at Parole is a mixed use development, located on 35 acres at the intersection of Maryland Route 2, Forest Drive and Riva Road planned to include 675,000 square feet of retail/dining/entertainment space, 115,000 square feet of office space, 900 condos and apartments, and a 200+ room hotel. The project is anchored by a 170,000-square-foot Target and a 70,000 sq. ft. Whole Foods Market that will serve as an east coast flagship for the organic grocer and is said to be the second-largest Whole Foods in the country. Restaurant tenants include Brio Tuscan Grille, The Chop House, Gordon Biersch, PF Chang's, Cooper's Hawk, and Paladar. Other significant retail tenants include Bed Bath & Beyond, Smyth, Talbot's, 24 Hour Fitness, and Brooks Brothers. In 2013, construction was completed on a 225 unit apartment building. In 2014 construction was completed on a strip retail expansion. In 2018, construction is expected to be completed on a 26,400 square foot retail/office mixed-use building.

The ongoing development and expansion of Anne Arundel Medical Center; which is located on the Medical Park campus just off Jennifer Road, east of the Annapolis Mall, easily accessed from U.S. Route 50/301, Bestgate Road, Jennifer Road and Maryland Route 2. AAMC is the third largest private sector employer in Anne Arundel County, with a workforce of more than 3,500 full and part time employees (of which nearly 900 members are medical staff). The Medical Park campus includes a 330,000 square foot, six-story,

316-bed, Acute Care Pavilion which opened in 2001. The ACP joins the Clatanoff Pavilion, which is home to the AAMC Women's and Children's Center and Wound Center; the Edwards Outpatient Surgery Pavilion; the Donner Pavilion, site of the AAMC DeCesaris Cancer Institute; and the Wayson Pavilion, a medical office building. The six-story 150,000 square foot Sajak Pavilion supports the AAMC Breast Center, Anne Arundel Diagnostics and private physicians' offices. The most recently completed building in 2011 was the Community Health Center. The campus is supported by 4 parking garages. A 20 bed psychiatric ward was proposed in 2015.

A joint venture was formed between BGE and Anne Arundel Medical Center to develop a 28 (±) acre portion of the hospital's land on the south side of Jennifer Road. The site is to be developed as Annapolis Exchange that will eventually include a 250-room hotel and office buildings when all phases are complete. The first phase, a five story 120,000 square foot office building, has been completed and is fully leased. Development has stalled on the second phase.

MIE completed the 28 acre Annapolis Technology Park on Riva Road in Parole. The development is a mixture of flex office space, restaurants, retail, townhomes, free standing drug store, bank branch, and a hotel. The 154,000 commercial sq.ft. business park includes two multi-tenant retail buildings; four flex buildings, a CVS drug store; and a 124 room Hilton Garden Inn hotel.

In 2014, MIE began constructing a 227,000 square foot business park on the western side of Riva Road, south of Harry S. Truman Parkway.

The James mid-rise apartment project of 237 units is located in the northern corner of the Admiral Cochrane Drive and Solomons Island Road intersection. This property had long been proposed for a large office building development. Completion occurred in early 2017.

The Tapestry Annapolis high-rise apartment project of 293 units is located in the southwestern quadrant of the Solomons Island Road and U.S. Route 50/301 interchange. This property had long been proposed for a large office building development. Completion is anticipated in 2017.

The Admirals Square development of 56 townhouse and 40 back-to-back units is located mid-block Admiral Cochrane Drive in the Annapolis Science Center business park. This property had long been proposed for a large office building development. Completion is anticipated in 2017.

K.Hovanian Homes is constructing the 36 lot Enclave on Spa townhouse subdivision, on Spa Road between Hilltop Lane to the south and West Street to the north. Initial unit sales will begin in 2017.

At Old Solomons Island Road, in Parole, development has begun in 2017 for the Annapolis Townes at Neal Farm project consisting of 54 townhouse lots.

Planned Major Projects

The Village at Crystal Spring planned community planned for the southern side of the Forest Drive and Spa Road intersection had become stuck in a lengthy and politicized approval process. The lead developer, National Lutheran Communities & Services, now intends to pursue only the continuing care retirement community component of the mixed-use standard residential, retail and commercial project that had been originally proposed. The community will be called The Village at Providence Point and is projected to have 382 age-restricted units and 48 health care units.

The Parkeside Preserve in Annapolis project of 152 townhouse and single-family-detached dwellings is located between Forest Drive and Quiet Waters Park. This project is anticipated to break ground in late 2017. Recently, the City of Annapolis announced it will acquire 22 of the lots to preserve a portion of the site.

Water Orientation

It is also important to describe the waterways (Back Creek and Spa Creek which are tributaries of the Severn River in the vicinity of Annapolis Harbor and at its confluence with the Chesapeake Bay) which define the subject neighborhood. According to the Anne Arundel County Boating and Marina Study, published in August of 1980 by the Anne Arundel County Office of Planning and Zoning, the Severn River has a watershed area of 69.62 square miles and includes 11 main creeks. The river is used extensively for recreation and shellfish harvesting. There are approximately 76 commercial and community marinas (the majority of which are not commercial in nature) with an estimated 2,000 slips on the Severn River and its tidal tributaries (exclusive of College, Spa, and Back Creeks). Within the Annapolis Harbour there are an estimated 30 marinas within what is known as the Annapolis Harbor area and which would include Spa and Back Creeks. Of these marinas, approximately 7 are private yacht clubs (no accurate slip counts are available). The remaining estimated 23 marinas are all of a commercial nature and support over 1,700 "wet" slips.

Over recent years, Anne Arundel County and the City of Annapolis have demonstrated growing concerns regarding marina siting requirements relative to environmental concerns; such as shellfish beds and headwater areas. Design factors of new marinas are evaluated as to their anticipated effects upon the environment of the site and adjacent area in order to maintain water quality standards and minimize impacts from marina construction. This was reflected in the County's 1979 and 1988 county marina zoning repeals and changes as well as the City's 1987 marina related zoning repeals and changes. Additionally, the enactment of various segments of the Chesapeake Bay Critical Areas Law in 1984, 1986, and 1988 affecting properties within 1,000 feet of the shoreline of the Chesapeake Bay or its tidal tributaries, has placed further restrictions on land use and development potential of affected properties such as the subject. It is apparent that the construction of new marinas will be scrutinized carefully by the appropriate regulatory offices for both Anne Arundel County and Annapolis City. During the intervening years since enacting of these regulatory initiatives, development approvals of a number of

marine use facilities has been denied and many expansion plans have been denied and/or significantly reduced in scope. Consequently, with increasing demand for slips by the boating public and a stable supply of available slips, the value of existing maritime facilities in the marketplace has been enhanced. However, the dramatic waterfront residential housing price increases has placed a premium on potential waterfront residential lots relative to commercial maritime land.

Maritime properties located on the creeks and inlets of the Annapolis area benefit from their excellent location. For recreational boaters, the Annapolis area is a protected location with direct access to Annapolis Harbor and the Chesapeake Bay, one of the most intensely used recreational boating areas in North America. In terms of land access, the Annapolis area is within an estimated 30 minute driving time of an estimated 600,000 (±) people. Additionally, the City of Annapolis, the Annapolis City Dock (home of the U.S. Sailboat and Power Boat Shows), provides the Annapolis area maritime uses excellent exposure. Additionally, Annapolis Harbour is a very popular destination location for day and overnight boating travelers; thus, Annapolis Harbor marinas have an excellent volume of traffic to which marine related services can be offered.

City Conclusion

Although small in total area, Annapolis is a city with major importance to the region. It has experienced dramatic increases in employment during the past decade and is now a well-established hub of government and institutions. Tourism and the boating industry have also generated considerable growth in retail sales businesses. Until ten years ago, total employment within the City exceeded actual population.

Annapolis, having extensive waterfront exposure and an appealing lifestyle, continues to attract increasingly affluent residents; many of whom commute to high-income jobs in the Washington, D.C. and Baltimore metropolitan areas.

With limited undeveloped land area, population gains (outside of annexations) have been very modest; however, 3 major re-development projects, Acton Landing (condominiums, townhouses and single-family-detached units), 1901 West Street (300 apartments and a small commercial component), and Park Place (condominium) have provide some population growth. During the past several years, a number of properties on the south side of Forest Drive have been annexed into Annapolis and added residents and assessable base to the municipality. Additionally, a number of infill small subdivision properties are now being initiated and developed; several of which feature live-work structures.

For many of the same reasons, coupled with the availability of undeveloped land, the population and economy of Anne Arundel County around Annapolis has continued to grow more rapidly than the City. Over the last several years, many City of Annapolis properties have begun to be re-developed to more intensive uses. The residential and employment growth which Annapolis has experienced is expected to continue into the foreseeable future; thus, causing a further need for residential units and ancillary commercial uses.

Considering Annapolis' favorable location in terms of intensity of boating use and easy access to the Washington D.C. and Baltimore metro areas, as well as the changes in marina zoning and the impact of the Chesapeake Bay Critical Areas legislation, the long term outlook for the maritime uses also appears good in terms of future value enhancement.

Retail has consistently performed well. The office market has experienced significant expansion and rental rates have been relatively stable. Residential growth has been steady. An improving regional and local economy will benefit secondary markets and assets. The Annapolis area commercial markets have benefited from regional job growth with stable occupancies and price increases for owner-occupant commercial uses. Because of these factors, the long term outlook for the Annapolis area is strong. The timing of appreciation will be paced by the overall economy and enhanced by the pace of neighborhood development.

PROPERTY DESCRIPTION

Description of the Subject Sites

Location: The subject's street address is 932 Spa Road (west side) and 935 Spa Road (east side), Annapolis, Maryland 21401. 932 Spa Road (the west side Salt Dome Parcel) is further identified on Anne Arundel County Tax Map 51F, Grid 1, as Parcel 62 and Parcel 358 (an unreferenced Parcel number). 935 Spa Road (the east side Weems Whalen Field property) is further identified on Anne Arundel County Tax Map 51F, Grid 8, as Parcel 859.

The properties are located on the east and west sides of Spa Road north of Spa Creek.

Size/Shape: Per the provided plans and assessment records, 932 Spa Road (west side) is 3.73 acres (1.96 acres un assessed area and Parcel 62 as 1.77 acres).

Per the provided plans, 935 Spa Road (east side) is 8.24 acres.

Note that the appraiser strongly suggests that a current survey be completed to accurately estimate the acreages of the subject properties.

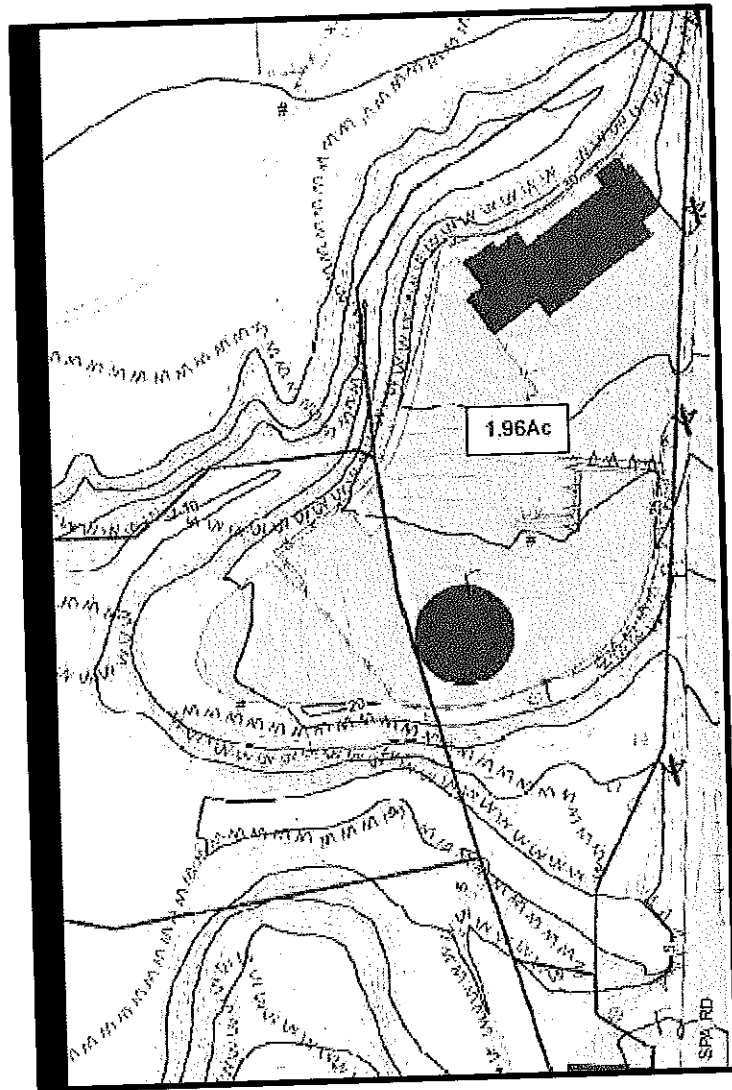
Frontage: 932 Spa Road (west side) fronts approximately 580 (±) feet on Spa Road.

935 Spa Road (east side) fronts approximately 690 (±) feet on Spa Road.

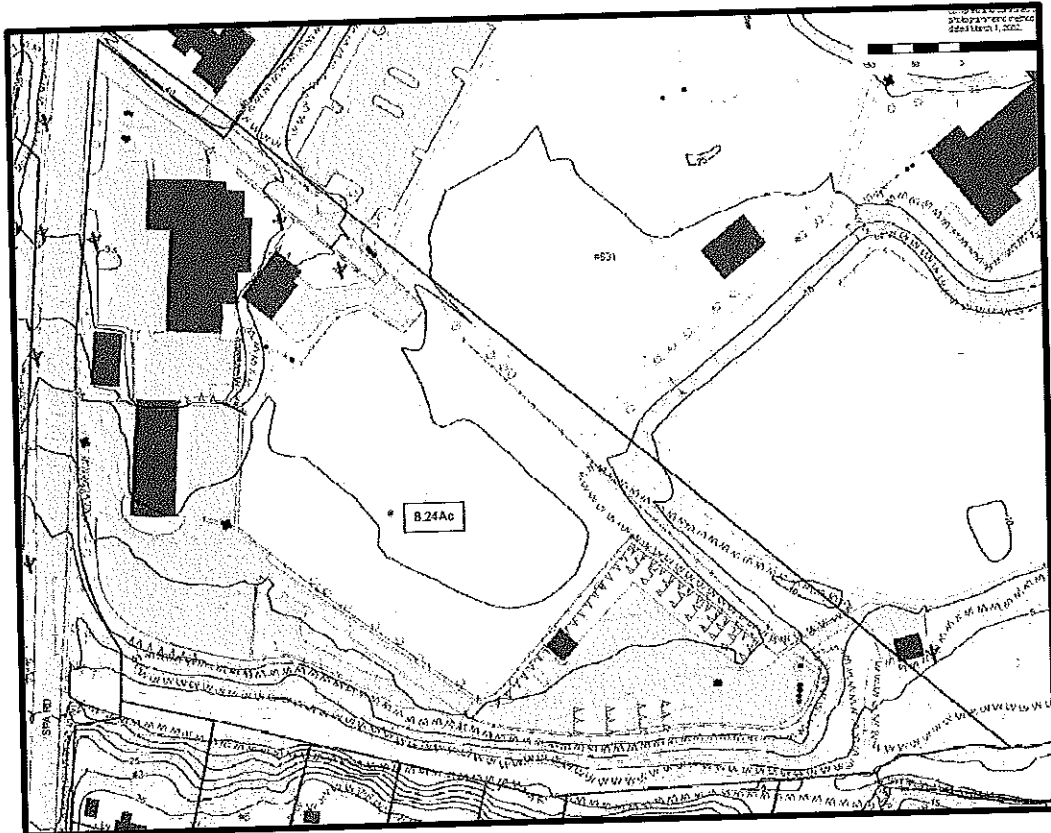
Access: Direct from Spa Road

100 Year Flood Hazard Area: Per the Flood Insurance Rate Map for Anne Arundel County numbered 24003C0232F with an effective date of February 18, 2015, only very minimal areas of the very eastern portion of 935 Spa Road (east side) may be in the 100 year flood hazard area as determined by the Federal Emergency Management Agency (FEMA). A copy of an excerpt of the FEMA map is appended.

Topography: 932 Spa Road (west side) includes a gently sloped area adjoining the northern frontage of Spa Road surrounded by steeper slopes that to the west and south slope into non-tidal waters of Spa Creek. The western portions of Spa Creek appear to be ponded/marsh areas. The appraiser estimates the more gently sloped areas to approximate 1.63 acres. An excerpt from a City of Annapolis planning document (appended) depicting the topography follows:



935 Spa Road (east side) includes level to gently to moderate/steeply sloped areas with the moderate/steeply sloped areas limited mostly to the vicinity of the south as sloping into the non-tidal and tidal waters of Spa Creek. An excerpt from a City of Annapolis planning document (appended) depicting the topography follows:



Vegetation: 932 Spa Road (west side) has natural vegetation at the non-Spa Road perimeter and to the west.

935 Spa Road (east side) has some lawn areas, grass playing field surfaces and natural vegetation at the southern and eastern perimeters.

Immediate Neighborhood: The immediate neighborhood of the subject is residential and institutional in character.

932 Spa Road (west side): Located to the west are open space areas of Spa Creek. Located to the northwest is the Wiley H. Bates Heritage Park. Located to the east, across Spa Road, is City of Annapolis owned property that has a vacant land pad (proposed for Public Works buildings and the Weems Whalen linear playing field or as a potential townhouse development. Located to the south, across Spa Creek is single-family-detached dwellings and an apartment project.

935 Spa Road (east side): Located to the west, across Spa Road, is City of Annapolis owned property used for Public Works purposes or as a potential townhouse development. Located to the northeast is Anne Arundel County Board of Education property used for park(s), playing fields, Bates Middle School, and Maryland Hall. Located to the east is the head waters of tidal Spa Creek. Located to the south, across Spa Creek is a City of Annapolis owned property used as the Chesapeake Children's Museum and single-family-detached dwellings.

Environmental Conditions: As the purpose of this appraisal is to transfer a "clean" property, no potential environmental contamination or hazardous contamination conditions are assumed. The appraiser was not supplied with, nor made aware of, any environmental studies performed on the property which would indicate or suggest the presence of potentially toxic or otherwise environmentally hazardous contamination on the subject property. The appraiser, who is not trained/skilled for environmental assessment, observed evidence which might provide environmental engineers/investigators with concern that potentially toxic or otherwise environmentally hazardous contamination may have occurred on the subject site. That evidence includes industrial operations, vehicle maintenance, fuel dispensing, and the properties' history as a possible incinerator site. Environmental contamination or the presence of hazardous conditions may significantly affect the value estimated; therefore, this appraisal is contingent on the assumption that the subject property is free from any environmental hazards. If subsequent information is obtained indicating that this assumption is incorrect, then this appraisal and any estimates of value contained herein must be reconsidered.

Description of the Improvements

General: The scope of this appraisal is to estimate the fair market value assuming that the subject properties are to be re-developed to their highest and best use as currently zoned. At the client's instructions, re-use/alternative use of the existing improvements is not considered. However, as the improvements will remain on the properties (except for necessary environmental clean-up removals), adjustments to the indicated land values will be made to reflect any added development costs the improvements would impact on the subject sites.

As the improvements are to be razed, only the following brief descriptions will be made.

932 Spa Road: 5,000 (±) square foot industrial building in fair condition, two 900 (±) square foot portable office buildings on masonry piers, a 3,000 (±) square foot salt-dome, paving, fencing, storm water management infrastructure and natural vegetation. The impervious surface coverage is estimated by the appraiser at 62,000 (±) square feet.

935 Spa Road Graded area of former building and paved areas now removed. Fuel dispensing infrastructure (tanks and pipes removed), partial graded site, 1,900 (±) square foot snack stand/bathroom building, linear playing field, 1,200 (±) square foot metal stadium seating, macadam, gravel, and dirt surfacing, fencing, and natural vegetation. The impervious surface coverage (including formerly paved and building areas) is estimated by the appraiser at 161,000 (±) square feet.

FF&E

The purpose of this analysis is to estimate the market value of the real estate. Therefore, no consideration or analysis is made of the FF&E.

TITLE DATA

Title

Per the assessment records, title to the subject Parcel 62 was last conveyed from Avalon Captain's Walk, Inc. to the City of Annapolis by deed dated 4/19/1995 and recorded among the Land Records of Anne Arundel County in Liber 7020 folio 246. The sales price is indicated to be \$1.00.

The deed for the Salt Dome Parcel is unknown to the appraiser.

The assessment records do not indicate a deed reference for Parcel 859 and the deed is unknown to the appraiser.

The assessment records indicate no other transactions within the past 3 years.

Easements and Restrictions

Approximately 0.3 acres of Parcel 859 is encroached upon by the driveway to the parking lot serving Panther Stadium and the Bates Auxiliary Field.

A Gravity Main sewer line centrally crosses 932 Spa Road (west side). A Gravity Main sewer line southerly crosses 935 Spa Road (east side) and a Gravity Secondary sewer line (reported to be a backup line) centrally crosses 935 Spa Road (east side). A Department of Public works official reports that it might be possible to abandon the Gravity Secondary sewer line and also may be feasible to replace at a more convenient location, the Gravity Main sewer line.

The sewage pumping station located at the head of Spa Creek primarily on the Anne Arundel County owned property appears to slightly encroach on to 935 Spa Road (east side). A cross easement in order to access the pumping station must be maintained on the subject property (or potentially located on the adjoining Anne Arundel County owned property).

The Spa Creek Trail encroaches upon the eastern most portion of the 935 Spa Road (east side) subject and is assumed that an easement will exist to allow the presence of the Spa Creek Trail on the subject property.

The appraiser knows of no other unusual easements or restrictions. The property is likely encumbered by typical easements for installation of public utilities. These easements are typical of residential properties and are not considered to adversely affect the value or utility of the subject site.

Listing for Sale Agreements/Contracts of Sale

The appraiser is unaware of any listing for sale or contract for sale which might encumber the subject property.

Listing for Lease/Lease Agreements

The appraiser is unaware of any listing for lease or lease which might encumber the subject property.

ASSESSMENTS AND TAXES

All tax assessments are levied by the state Department of Assessments and Taxation; and tax rates are set by the individual jurisdictions. Assessments are based on full cash value and all properties are reassessed once every three years. The current real property tax rate for the **City of Annapolis** beginning July 1, 2017 and ending June 30, 2018, is 0.6449 per \$100.00 of assessed valuation (City), is \$0.544 per \$100.00 of assessed valuation (county), and \$0.112 per \$100.00 of assessed valuation (State), for a total tax rate of \$1.3009 per \$100.00 of assessed value.

The State Department of Assessments and Taxation has estimated the subject's full cash value for the 2017-18 fiscal year as follows:

Account Number: 6-000-90091503

Parcel 62

Land:	\$ 548,700
Improvements:	<u>\$ 0</u>
Total:	\$ 548,700
2017-18 Phase-in:	\$ 389,400
2017-18 Base Tax:	Exempt Commercial

Account Number: none identified

Salt Dome Parcel (Parcel 358)

Land:	\$ n/a
Improvements:	<u>\$ n/a</u>
Total:	\$ n/a
2017-18 Phase-in:	\$ n/a
2017-18 Base Tax:	Exempt Commercial

Account Number: 6-000-01407408

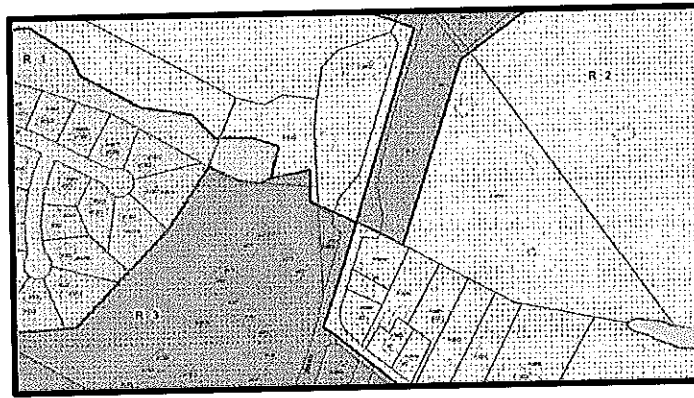
Parcel 859

Land:	\$ 14,500,000
Improvements:	<u>\$ 1,197,300</u>
Total:	\$ 15,697,300
2017-18 Phase-in:	\$ 14,170,500
2017-18 Base Tax:	Exempt Commercial

ZONING

According to the City of Annapolis, 932 Spa Road (west side) is zoned R1, Single-Family Residence District, R2 Single-Family Residence District, and R3 General Residence District. It is strongly recommended that an engineer accurately estimate the zoning acreages of 932 Spa Road (west side). The appraiser estimates the zoning areas to approximate 0.5 (±) acres R1, 3.13 (±) acres of R2, and 0.1 (±) acres R3.

According to the City of Annapolis and the McCrone plan "Department of Public Works Spa Road Facilities" Cover Sheet, the 935 Spa Road (east side) is 5.99 acres R2 Single-Family Residence District and 2.25 acres R3 General Residence District.



R3, General Residence District

The R3 General Residence district provides for single-family and two-family detached dwellings at up to eight dwelling units per acre and other uses compatible with these neighborhoods of the City including single-family attached and multi-family dwelling units.

Permitted uses include: single-family detached and two-family dwellings; public schools and colleges; museums and art galleries, including historic buildings and shrines for patriotic, cultural and educational purposes; religious institutions, including churches, chapels, mosques, temples, and synagogues.

Permitted use subject to standards include: planned developments, residential and special mixed and temporary uses.

Special Exception uses include: private colleges; day care centers, including day care centers accessory to a principal religious institution; driveways, walkways, parking or access for uses located in an adjacent nonresidential district; single-family attached dwellings; government and government-related structures, facilities, and uses; hospitals and sanitariums; institutions for the care or treatment of alcoholics, drug addicts and the mentally ill; noncommercial recreational and social clubs; rest homes and nursing homes; and private elementary, middle, high, and vocational schools.

Special Exception uses subject to standards include: inns; institutions for the care of the aged; philanthropic and charitable institutions, civic nonprofit organizations, and social and fraternal organizations.

Accessory uses include accessory buildings and uses, including signs; garages and carports; private (noncommercial) greenhouses and conservatories; tool houses, sheds, and other similar buildings for the storage of domestic supplies and equipment. Accessory uses subject to standards include antennas and amateur radio stations; family daycares; group day care centers, in conjunction with public school facilities; home occupations; private mooring slips or docks; and telecommunications facilities.

Yard requirements for single-family attached residential usages in an R3 district are: 20 foot front yard (plus one foot for each three feet by which the building width exceeds 40 feet); 15 foot corner side yard (buildings 50 feet or more in width as projected upon the front lot line, shall have corner side yards not less than 25% of the building width or 30% of the building height, whichever is greater), 30 foot rear yard; 3,600 sq. ft. minimum lot size; minimum lot width of 16 feet, and 3.5 stories not to exceed 35 feet. Floor-Area Ratio may not exceed 1.2.

R2, Single Family Residence District

The R2 Single-Family Residence district provides for single-family detached dwellings at up to eight dwelling units per acre and other uses compatible with these single-family neighborhoods of the City.

Permitted uses include: cemeteries; single-family detached dwellings; public schools and colleges; museums and art galleries, including historic buildings and shrines for patriotic, cultural and educational purposes; religious institutions, including churches, chapels, mosques, temples, and synagogues.

Permitted use subject to standards include: planned developments, residential and special mixed and temporary uses.

Special Exception uses include: private colleges; day care centers, including day care centers accessory to a principal religious institution; driveways, walkways, parking or access for uses located in an adjacent nonresidential district; government and government-related structures, facilities, and uses; hospitals and sanitariums; institutions for the care or treatment of alcoholics, drug addicts and the mentally ill; noncommercial recreational and social clubs; rest homes and nursing homes; and private elementary, middle, high, and vocational schools.

Special Exception uses subject to standards include: inns; institutions for the care of the aged; philanthropic and charitable institutions, civic nonprofit organizations, and social and fraternal organizations.

Accessory uses include accessory buildings and uses, including signs; garages and carports; private (noncommercial) greenhouses and conservatories; tool houses, sheds, and other similar buildings for the storage of domestic supplies and equipment.

Accessory uses subject to standards include antennas and amateur radio stations; family daycares; group day care centers, in conjunction with public school facilities; home occupations; private mooring slips or docks; and telecommunications facilities.

Yard requirements for residential usages in an R2 district are: 25 foot front yard; 6 foot interior side yard, 15 foot corner side yard, 30 foot rear yard; 5,400 sq. ft. minimum lot size; minimum lot width of 50 feet, and 2.5 stories not to exceed 35 feet. Floor-Area Ratio may not exceed 0.4.

New construction including new buildings, enlargements to building size or bulk, or structural alterations to existing structures which have an impact upon the street facade are subject to review by the Department of Planning and Zoning.

R1, Single-Family Residence District

The R1 Single-Family Residence district provides for single-family detached dwellings at approximately six dwelling units per acre and other uses compatible with these single-family neighborhoods of the City.

Permitted uses include: Cemeteries; single-family-detached dwellings; golf courses; museums and art galleries, including historic buildings and shrines for patriotic, cultural and educational purposes; religious institutions, including churches, chapels, mosques, temples, and synagogues; and public schools and colleges.

Permitted uses subject to standards include: planned developments, residential and special mixed; temporary uses.

Special Exception uses (including those subject to standards) include Colleges, private; daycare centers, group, including day care centers accessory to a principal religious institution; driveways, walkways, parking or access for uses located in an adjacent nonresidential district; other government and government-related structures, facilities and uses; inns; institutions for the care of the aged; philanthropic and charitable institutions, civic nonprofit organizations, and social and fraternal organizations.

Accessory Uses (including those subject to standards) include: Accessory buildings and uses, including signs; antennas and amateur radio stations; day care, family; daycare centers, group, in conjunction with public school facilities; garages and carports; home occupations; mooring slip or dock, private; telecommunications facilities; tool houses, sheds and other similar buildings for the storage of domestic supplies and equipment.

The development requirements vary significantly within the R1 district given the variety of special exception uses.

For single-family-detached residential uses: minimum lot size being 7,000 square feet., minimum lot width being 60 feet; minimum front yard being 25 feet, minimum side yard being 8 feet, minimum rear yard being 30 feet, and 2.5 story (35 foot) maximum height.

For non-residential uses, some examples are: a maximum FAR's ranging from 0.25 to 0.50, a minimum lot size from 7,000 square feet to 5 acres, a minimum lot width of 60 to 200 feet, and a maximum height of 2.5 stories and 35 feet to unlimited.

For planned developments, bulk regulations shall be determined through the planned development process.

MPDU - Moderately Priced Dwelling Units

To ensure that housing choices continue to be available to its residents and employees with moderate incomes, the City Council passed the Moderately Priced Dwelling Unit (MPDU) Law in 2004. This law requires developments of 10 units or more to provide 12% of for-sale housing and 6% of rentals to be set aside as moderately priced. This means that the sale price or rent is below the market rate for other units in the same development

For Sale MPDUs: To ensure that the MPDUs serve eligible households and are affordable to future owners, restrictions are placed on for-sale MPDUs. The MPDU must be owner occupied. The resale price of the MPDU is controlled for 10 years. The unit may be sold during the occupancy period; however, its resale price is restricted and the unit must be sold to another MPDU-eligible household.

Rental MPDUs: A rental MPDU must be occupied by the MPDU certificate holder. The MPDU's rent is controlled by the City for 20 years. If an MPDU renter desires to terminate their lease during this period, they unit must be rented to another MPDU-eligible person. The renter must remain income eligible during the occupancy period. MPDU renters will be monitored annually to determine if they meet the income guidelines for the program.

Projects with an MPDU component receive a **Density Bonus**. The density bonus for for-sale housing is fifteen percent above the maximum amount permitted in a zone. The density bonus for rental housing is ten percent above the maximum amount permitted in a zone.

To be an eligible to acquire/rent an MPDU for the program, an individual or household must have an income that is 100% or less than the family median income for the Baltimore Metropolitan Statistical Area (MSA), with adjustments for household size, as reported by the United States Department of Housing and Urban Development (HUD) and hold a valid "Certificate of Eligibility" that entitles the person or household to buy or rent an MPDU.

To be eligible for the MPDU Program, you must complete an MPDU Program application for a Certificate of Eligibility. City staff will review your application and supporting documentation to determine if you meet all the qualifications. Qualifications include:

Not currently own a home.

Be a City resident within the corporate limits (please refer to City limits map); or

A City of Annapolis employee beyond their probationary period; or

Employed within the City limits for at least the past twelve months; or

Be a full time teacher in an elementary, middle or high school within the City limits; or a teacher or staff member in a school that is included in the Annapolis Senior High School district as defined by the Anne Arundel County Public Schools.

Residential Planned Development

A Planned Development must be a permitted use under the base zoning classification.

Permitted uses in the Residential Planned Development are those allowed as permitted uses, uses subject to standards or special exception uses in any residential district except those uses specifically prohibited. Also up to ten percent of the ground area or gross floor area of a residential planned development may consist of uses that are allowed as permitted uses or as uses subject to standards in the B1 District. No more than thirty percent of the ground area or of the gross floor area of the development may be devoted to planned development uses.

The area of Residential Planned Development parcels must be of sufficient area to establish ten dwelling units in the R1 and R1A zoning districts or five dwelling units in other zoning districts.

In a residential planned development, the maximum number of dwelling units may not exceed the number of units determined by dividing the gross development area by the minimum lot area per dwelling unit (or per dwelling unit type if a mix of units is proposed) required by the district or districts in which the development is located. Gross development area shall be the area of the zoning lot as a whole. The area of land set aside for common open space or recreational use may be included in determining the number of dwelling units permitted.

Planned developments shall provide for common open space that may include parks, playgrounds, parkways, medians, landscaped green space, schools, community centers or other similar areas in public ownership or covered by an open space easement or controlled by a homeowners association. The area of common open space provided shall be equivalent to twenty percent of the total ground area in residential planned developments

The final planned development approval shall expire within one year of the date of final approval if a building permit is not obtained prior to that expiration date. If substantial site development has not commenced within a period of three years of the date of approval, or in the case of larger developments, for each phase of the project indicated on the planned development plan, the planned development approval shall expire. If an extension is requested prior to the expiration of a preliminary or final planned development approval, the Planning and Zoning Director may extend a preliminary or final planned development approval for a period not to exceed three years from the date of initial approval by the Board of Appeals.

Sustainable Growth and Agricultural Preservation Act of 2012

The subject property is in Tier 1.

In 2012, the Maryland General Assembly passed the Sustainable Growth and Agricultural Preservation Act of 2012 to address major developments served by on-site sewage disposal systems and their impact on the Chesapeake Bay and its tributaries. The legislation requires all local jurisdictions in Maryland to develop and adopt a system of Growth Tiers for future residential development. The City of Annapolis Department of Planning and Zoning adopted the Growth Tier Map administratively in 2012.

Four tiers were established to identify where major and minor residential subdivisions may be located in a jurisdiction and what type of sewerage system can serve them.

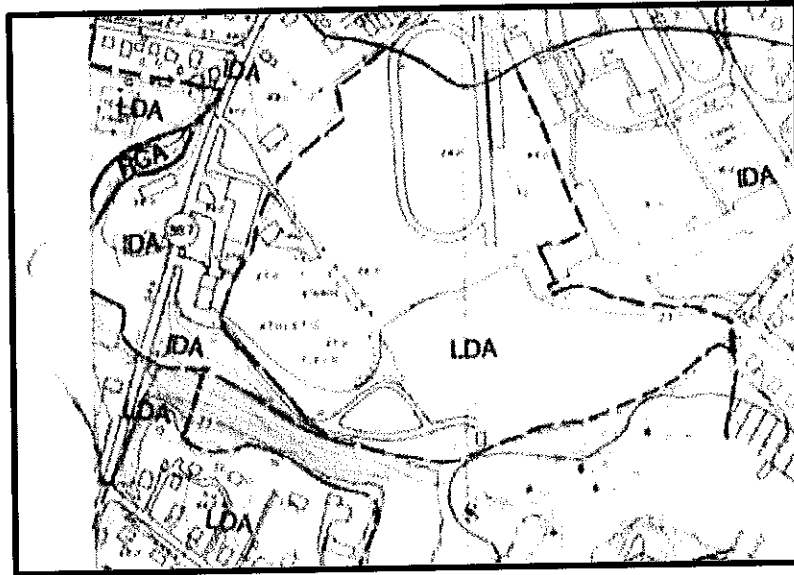
Tier 1 areas are served by public sewer systems and are areas locally designated for growth. Development Requirements allow major and minor subdivisions and all new subdivisions must connect to public sewer systems.

Tier 2 areas are those planned to be served by public sewer systems (per Anne Arundel County's adopted Water and Sewer Master Plan) and are areas locally designated for growth. Development Requirements allow major subdivisions that must be connect to public sewer systems; minor subdivisions that may connect to public sewer systems or utilize on-site septic systems on an interim basis and must connect to public sewer when available.

Tier 3 areas are not planned for public sewer service and are areas planned and zoned for large lot or rural development. Development Requirements allow major and minor subdivisions that must utilize on-site septic systems or private community systems when public sewer systems are not available.

Tier 4 areas are not planned for public sewer service, are Rural Legacy and Priority Agricultural Preservation areas, are areas subject to conservation easements or covenants, are areas planned and zoned for land, agricultural, or resource protection or preservation. Development Requirements prohibit major subdivisions. Minor subdivisions are permitted and must utilize on-site septic systems.

Chesapeake Bay Critical Areas



Within the state defined Chesapeake Bay Critical Area, the 932 Spa Road (west side) assemblage is split characterized by IDA adjacent to Spa Road, some possible LDA areas at the southern Spa Road frontage, and RCA areas to the west in the sloped and natural vegetation areas of the property. It is strongly recommended that an engineer accurately estimate the Chesapeake Bay Critical Areas zoning acreages of 932 Spa Road (west side). The appraiser estimates the Chesapeake Bay Critical Areas to approximate 1.85 (\pm) acres IDA (as apparently zoned R2), 0.5 (\pm) acres of LDA (as apparently zoned R2 and R3), and 1.38 (\pm) acres of RCA (as apparently zoned R2).

Within the state defined Chesapeake Bay Critical Area, the 935 Spa Road (east side) property is split characterized by IDA adjacent to Spa Road and in the open storage areas, LDA areas in the vicinity of the playing fields, and RCA areas to the south in the sloped and natural vegetation areas of the property. It is strongly recommended that an engineer accurately estimate the Chesapeake Bay Critical Areas zoning acreages of 932 Spa Road (west side). The appraiser estimates the Chesapeake Bay Critical Areas to approximate 2.34 (\pm) acres IDA (as apparently zoned R2 and R3), 4.9 (\pm) acres of LDA (as apparently zoned R2 and R3), and 1 (\pm) acres of RCA (as apparently zoned R2).

The purpose of the Chesapeake Bay Critical Area overlay district is to foster more sensitive development for certain shoreline areas to minimize damage to water quality and natural habitats. This district is consistent with and supports the State critical area law and critical area criteria as well as the City of Annapolis critical area program.

Legislation passed by the Maryland General Assembly in 1986, and further amended in 1988, sets statewide standards for future development within 1,000 feet of the Chesapeake Bay or its tidal tributaries. The city of Annapolis critical area plan conforms to the state recommended legislation. The critical area is divided into three categories of present use and allowed future development; intensely developed areas (IDA), limited development areas (LDA), and resource conservation areas (RCA). Furthermore, waterfrontage in these areas are delineated as Buffer Exempt Area (BEA) buffer areas and non-BEA buffer areas.

The first category is called **Intensely Developed Area (IDA)**. Intensely developed areas include areas where residential, commercial, institutional and/or industrial developed land uses are predominant, and where little natural habitat occurs. Manmade impervious surfaces shall be limited to the following maximum percentages of the development site:

<u>Underlying Zoning District</u>	<u>Manmade Impervious Surface (maximum)</u>
Residential	50%
P, PM, B1, B2, B3	60%
C1, C1A,	75%
Maritime	80%
C2, C2A, C2P	90%

Limited Development Areas (LDAs) are currently developed in low or moderate intensity uses and still retain areas of natural plant and animal habitat. Impervious surfaces are limited to 15%. If a parcel or lot 0.5 acre or less in size existed on or before December 1, 1985, then man-made impervious surfaces are limited to 25% of the parcel or lot. If a parcel or lot greater than 0.5 acre and less than 1.0 acre in size existed on or before December 1, 1985, then man-made impervious surfaces are limited to 15% of the parcel or lot. If an individual lot 1.0 acre or less in size is part of a subdivision approved after December 1, 1985, then manmade impervious surfaces of the lot may not exceed 25% percent of the lot. However, the total of the impervious surfaces over the entire subdivision may not exceed 15%.

Resource Conservation Areas (RCA) are those areas characterized by naturally dominated environments and "resource utilization activities" (agriculture, forestry, etc.) New residential development is permitted if the density of such development does not exceed one dwelling unit per 20 acres. New commercial, industrial and institutional development is not permitted.

The new development or redevelopment uses not permitted in the district include: non-maritime heavy industry; transportation facilities and utility transmission facilities (except those necessary to serve permitted uses, or where regional or interstate facilities must cross tidal waters); permanent sludge handling, storage and disposal facilities (other than those associated with wastewater treatment facilities); solid or hazardous waste collection or disposal facilities; and sanitary landfills.

New development and redevelopment in these areas would be subject to the Trees in Development Areas requirement that requires management measures and site design for protection, preservation and replacement of trees in the buffer area. Storm water management technologies are to be employed to reduce the pollution loading factor by 10% below the level existing prior to site redevelopment. In addition, development with the critical area would require developers to determine whether habitat corridors exist on the site and to protect any wildlife corridors or habitat protection areas located in forest or undeveloped woodlands. Utilities, roads and bridges shall not be constructed in a habitat protection area, unless no feasible alternate location exists.

These three areas normally have a building buffer/setback requirement of 100 feet from the mean high water line of tidal waters. New development activities in the buffer area, including structures; roads, parking areas and other impervious surfaces; septic

systems; accessory uses, including but not limited to swimming pools; and the substantial alteration of existing facilities or structures shall not be permitted in the buffer, except for those necessarily associated with water-dependent facilities. The buffer shall be expanded beyond one hundred feet to include contiguous sensitive areas such as steep slopes, hydric soils, or highly erodible soils whose development or disturbance may impact streams, wetlands, or other aquatic environments. In the case of contiguous slopes of fifteen percent or greater, the buffer shall be expanded four feet for every one percent of slope or to the top of the slope, whichever is greater in extent.

A density of slips to platted lots or dwellings within the subdivision in the critical area according to the following schedule:

<u>Platted Lots or Dwellings in the Critical Area</u>	<u>Number of Slips</u>
Up to 15	1 for each lot
16 to 40	The greater of 15 or 75 percent
41 to 100	The greater of 30 or 50 percent
101 to 300	The greater of 50 or 25 percent

Conclusion

The subject is not put to productive use. This non-use is permitted.

UTILITIES

Electricity, telephone, natural gas, public water, and public sewer services are available to the subject property.

PRESENT USE

The 932 Spa Road (west side) assemblage is used for City of Annapolis Department of Public Works uses including Salt Dome, industrial building, two portable offices, and open storage.

The 935 Spa Road (east side) property is used by the City of Annapolis Department of Public Works for a fueling station, a vacant lot (former industrial buildings), and an open storage yard, and by the City of Annapolis Department of Recreation and Parks as the Weems Whalen linear playing field and a use-in-common access driveway serving the parking lot for Panther Stadium, Bates Auxiliary Field, and Weems Whalen linear playing field.

HIGHEST AND BEST USE

The definition of "highest and best use", as defined in the Fifth Edition of The Dictionary of Real Estate Appraisal published by The Appraisal Institute in 2010, is:

"The reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity. Alternatively, the probable use of land or improved property – specific with respect to the user and timing of the use – that is adequately supported and results in the highest present value."

An analysis of the highest and best use of a property is the most important part of the appraisal process, for it is in terms of highest and best use that fair market value is estimated. This study and selection of highest and best use is based upon available data relative to those uses that are legal, possible, appropriate and feasible for the subject.

As If Vacant

Physically Possible

The subject property consists of the 3.73 acre 932 Spa Road (west side) and the 8.24 acre 935 Spa Road (east side) properties. The sites are on central Spa Road with 932 Spa Road (west side) having some visibility of the ponded areas of Spa Creek and Bates Heritage athletic fields and 935 Spa Road (east side) having some visibility of the head waters of Spa Creek, athletic fields, and schools. Each property has significant upland areas adjacent to the Spa Road frontage capable of supporting development, but also low land areas in the vicinity of Spa Creek. The properties have all public utilities.

Legally Permissible

The subject properties have multiple zoning and Chesapeake Bay Critical Areas overlay zoning classifications. The appraiser estimates the maximum density as follows:

932 Spa Creek (west side)					
Chesapeake Bay Critical Areas	Zoning Classification	Acres	Units per Acre	Calculated Density	Permitted Density
IDA	R2	1.85	8	14.8	14
LDA	R3	0.10	8	0.8	0
LDA	R2	0.40	8	3.2	3
RCA	R2	0.88	0.05	0.0	0
RCA	R1	0.50	0.05	0.0	0
Totals		3.73		allowed units	17
				MPDU bonus	115%
				calculated density	19.55
				permitted density	19
				MPDU unit requirement	12%
				MPDU unit density	2.28
				MPDU permitted lots	2
				market rate permitted lots	17
935 Spa Creek (east side)					
Chesapeake Bay Critical Areas	Zoning Classification	Acres	Units per Acre	Calculated Density	Permitted Density
IDA	R3	2.15	8	17.2	17
LDA	R3	0.10	8	0.8	0
IDA	R2	0.19	8	1.5	1
LDA	R2	4.80	8	38.4	38
RCA	R2	1.00	0.05	0.1	0
Totals		8.24		allowed units	56
				MPDU bonus	115%
				calculated density	64.4
				permitted density	64
				MPDU unit requirement	12%
				MPDU unit density	7.68
				MPDU permitted lots	7
				market rate permitted lots	57

Planned Developments are permitted by right in the City of Annapolis in the subject's zoning classifications. Many subdivisions pursue planned development to accrue its subdivision design benefits. For the R2 and also LDA areas, the design benefit of dense townhouse pad development is attractive in that townhouses can be located on 30% of the gross area of the site (with presumably with the remainder of the site providing some additional parking, storm water management, green areas, and adequate pervious surface areas).

The appraiser observed a conceptual plan that featured 68 traditional townhouses on the east parcel and possibly some 10,000 (±) square feet of building on the west assemblage. The 68 townhouses did not appear to be isolated to 30% of the property.

The maximum achievable density will be limited by the impervious surface requirements which are 50% in IDA, 15% in LDA, and RCA is 15%. To achieve the maximum development potential the impervious surface area in the IDA will need to be exceeded. As the IDA areas are already fully (or nearly fully) impervious (see As Improved discussion) and/or the larger property has the potential of replacement of IDA impervious surface areas with unneeded impervious surface areas in LDA and RCA areas the achievable density may approximate the maximum density

Within the City of Annapolis, more urban townhouse subdivision design is acceptable with examples being, 213 West Street, the planned 285 West Street, and 195 Admiral Cochrane Drive (in Anne Arundel County). The urban-style townhouse pad densities have been (will be), respectively 25 lots per acre, 32 lots per acre, and 19 lots per acre. This compares to more traditional townhouse development density of 9 (±) lots per acre for 1023 Spa Road (Sale 1). Carraway Lane (off of Spa Road), which is a hybrid of traditional and urban-style is at 15 lots per acre.

The subject is in the Germantown Elementary School (west side), Annapolis Elementary School (east side), Bates Middle School, and Annapolis High School district. There is school capacity at all schools.

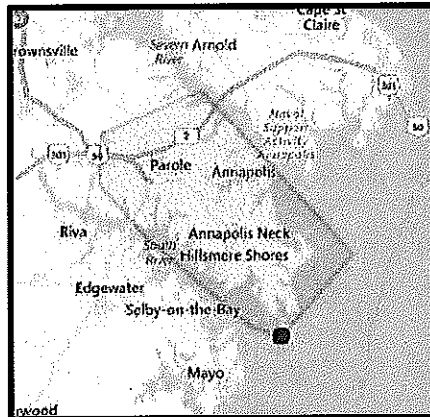
The subjects could also pursue a special mixed development plan, however, as the process and requirements for obtaining a special mixed development plan are more speculative, this analysis will not investigate its potential.

The 932 Spa Road (west side) subject, which is bordered by R3 to the north and south, could potentially have a case for a partial rezoning to R3. Re-zonings in the City of Annapolis outside of comprehensive plans are so rare that the pursuit of a rezoning can best be described as "unexplored". This analysis will not investigate the speculative potential of rezoning.

The subject appears to be (or will be) encumbered by a number of easements (see Title section for descriptions). This analysis projects that easements will have no density impact and only limited impact on the subject's fair market value.

Financially Feasible

Residential demand in the subject's neighborhood is strong. Beyond in-fill lots, there has been very little new subdivision development until recently. 213 West Street development sold very quickly. Furthermore, given the relative lack of available land areas, potential school inadequacy in some neighborhoods, and the strong community resistance to new development, there is unlikely to be any significant direct competition for new house sales. In the greater Annapolis area depicted below



according to the Metropolitan Regional Information Systems, Inc. (MRIS) data base, MRIS listed new construction house sales (this may not include some builder listed houses) have been:

<u>Year</u>	<u>Quantity</u>	<u>Low</u>	<u>High</u>	<u>Median</u>	<u>Average</u>
2017	33	\$350,000	\$1,123,206	\$522,887	\$613,673
2016	31	\$275,000	\$1,165,000	\$534,794	\$579,321
2015	22	\$225,000	\$1,375,000	\$505,000	\$617,884
2014	24	\$337,500	\$1,325,000	\$549,450	\$605,127
2013	26	\$355,000	\$1,525,000	\$529,900	\$585,833
2012	23	\$250,000	\$1,200,000	\$637,590	\$599,621
2011	21	\$279,000	\$952,750	\$514,116	\$515,310
2010	29	\$330,000	\$1,350,000	\$528,529	\$649,033
2009	33	\$299,000	\$4,075,000	\$619,900	\$898,621
2008	45	\$365,000	\$2,276,444	\$1,350,000	\$719,595
2007	59	\$287,362	\$2,650,000	\$845,000	\$904,378
2006	50	\$283,571	\$3,500,000	\$795,430	\$949,494

Bozzuto developed the 213 West Street property and sold 23 urban-style townhouses in approximately 18 months (many sales were pre-sales) in 2012-2013 for prices ranging from \$484,000 to \$637,000. Currently some units are re-selling at rates indicating a 12% to 22% appreciation.

K Hovnanian Homes is developing the Enclave at Spa, a traditional townhouse community. They have had 10 sales in the last 11 months at prices ranging from \$462,000 to \$625,000.

Townhouse and urban-style townhouses are attractive to the subject's market area. The subject is in a market area where traditional townhouses have and are demonstrating support.

Highest and Best Use, As Improved

It is my opinion that the highest and best use of each subject is eventual maximum density subdivision development as permitted under a planned development. The most likely development plan would be urban-style townhouses on a limited area of the property. Such use is legally permitted, physically possible, economically feasible, and provides the greatest return to the land.

The most likely purchaser would be a developer.

As Improved

The scope of this appraisal is to estimate the fair market value assuming that the subject properties are to be re-developed to their highest and best use as currently zoned. At the client's instructions, re-use/alternative use of the existing improvements is not considered. However, as the improvements will remain on the properties (except for necessary environmental clean-up removals), adjustments to the indicated land values will be made to reflect any added development costs the improvements would impact on the subject sites.

Therefore, the As Improved highest and best use is the As If Vacant highest and best use. However, the subject receives a benefit from the presence of the existing impervious surfaces which may allow the property to achieve a maximum density development.

This analysis required significant appraiser estimates as to zoning-acreages and density calculations as discussed in the appraisal. It is recommended that a current property survey and a land planner/engineer more accurately estimate the subject's development density potential. From the appraiser's estimate of zoning-acreages the following assumption is made. It is an assumption of this appraisal that the subject's subdivision density is 19 townhouse lots (2 of which are MPDUs) on 932 Spa Road (west side) and 64 townhouse lots (7 of which are MPDUs) on 935 Spa Road (east side). If subsequent information is obtained indicating that this assumption is incorrect, then this appraisal and any estimates of value contained herein must be reconsidered.

APPROACH TO VALUE

There are three approaches to value commonly used in the appraisal of real estate; the Cost Approach, the Sales Comparison Approach and the Income Capitalization Approach.

Under the Cost Approach, the land is valued as if vacant and available for development to its highest and best use. The replacement cost new of the improvements is then estimated and depreciated for physical wear and tear, functional (design) deficiencies, and external (location) problems, if any. The sum of the depreciated replacement cost of the improvements and land value is the estimated property value by the Cost Approach.

Under the Sales Comparison Approach several recent sales of similar properties are compared to the subject and are adjusted for differences. Collectively, the adjusted comparable sales reflect the current market for the subject property. This approach is also used to estimate the raw land value under the Cost Approach.

The Income Approach involves an analysis of the income producing capabilities of the property. After deduction of expenses, the projected annual net income is converted into a present day value by means of a capitalization process.

The fair market value of the subject will be estimated by the sales comparison approach. The cost and income approaches are not applicable.

ESTIMATED MARKET VALUE BY THE SALES COMPARISON APPROACH

The sales comparison approach is a method of comparing recent sales of similar properties to the subject for an indication of value. Often called the "market data approach", this method represents an interpretation of the reactions of typical purchasers in the market. Basic to this approach is the principle of substitution, implying that a prudent person will pay no more to buy a property than it will cost for a comparable substitute property.

Application involves a comparative analysis of the important attributes of the sale properties to those of the subject under location, physical characteristics, conditions of sale and the change in the market over time. Consideration of the dissimilarities in terms of their probable effect upon the sales price of the subject gives an indication of market value.

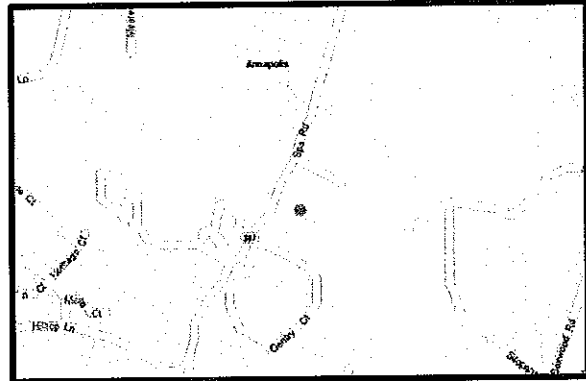
The 932 Spa Road (west side) subject consists of 3.73 acres that can support a maximum density of 19 units (2 of which must be MPDU restricted units). If a planned development is pursued, 19 urban-style (narrow width) townhouses can be developed on 1.119 (\pm) acres of the site (presumably with the remainder of the site providing parking, storm water management, green areas, and adequate pervious surface areas).

The 935 Spa Road (east side) subject consists of 8.24 acres that can support a maximum density of 64 units (7 of which must be MPDU restricted units). If a planned development is pursued, 64 urban-style (narrow width) townhouses can be developed on 2.472 (\pm) acres of the site (presumably with the remainder of the site providing some additional parking, storm water management, green areas, and adequate pervious surface areas).

Numerous sales of similar properties have been investigated and the following 7 sales were selected as the most comparable to the subject. The data for each sale is presented below. In this analysis the unit of comparison which shall be used is the sale price per lot.

Land Sale 1

Grantor: Lily Lorraine Clow
Grantee: K.Hovanian Homes of Maryland, LLC
Recorded: 30336/309 Deed – Record Dates: 11/15/16 – 11/23/16



Location: 1023 Spa Road, Annapolis, Maryland 21401 Anne Arundel County Tax Map 51F, in Grid 13, Parcel 1318; now The Enclave on Spa subdivision, as Lots 1-36.
Located on the eastern side of Spa Road between Hilltop Lane to the south and West Street to the north.

Land Area: 3.819 acres, gently sloping to level

Improvements: Record plat subdivision. Rough graded site.
36 townhouse lots; 24 24-foot-wide interior lots and 12 wider end unit lots.

Sale Price: \$3,672,000 (\$2,440,000 plus a contract \$1,232,000 contract assignment fee to the developer)

Unit Rate: \$961,508 per acre
\$102,000 per lot

Zoning: R3, General Residential District and IDA Chesapeake Bay Critical Areas (City of Annapolis)

Utilities: Public water and sewer.

Financing: cash to seller

Sales History: No other transactions within the 3 years preceding this sale.

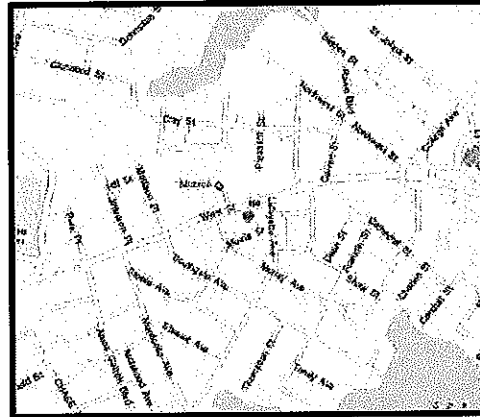
Marketing time: unknown

Verified assessment records, deed, plat, Arundel County Department of Public Works Utilities and Monuments web site, third party

100 2/23 S17-850

Land Sale 2

Grantor: 141 West Street LLC
Fresh Start Church
133 West, LLC
Grantee: BA 141 West LLC
Recorded: 29948/372 Deed - Record Dates: 6/10/2016 – 8/19/2016
32008/408 Deed - Record Dates: 3/29/2018 – 4/13/2018
32008/402 Deed - Record Dates: 3/29/2018 – 4/13/2018



Location: 133-143 West Street, Annapolis, Maryland 21401; Anne Arundel County, TM 51C, Grid 17, Parcel, respectively 319, 313, 311, 312, 310, and 169. Mid-block location in the central West Street corridor.

Land Area: 11,912 (±) square feet; rectangular, slight slope.

Improvements: Partially cleared with a barber shop and an older SFD.

Sale Price: \$1,435,000 (\$950,000, \$200,000, and \$285,000)

Unit Rate: \$120.47 per square foot of land
\$57,400 per potential condominium unit
\$45.05 per square foot of potential building

Zoning: MX, Mixed Use District (City of Annapolis)

Utilities: all public

Comments: A 31,852 square foot 4-story, 24 residential unit and 1 retail unit condominium building with ground level structured parking is proposed.

Financing: cash to sellers (\$950,000 from Bozzuto & Associates, who is owner).

Marketing Time: unknown

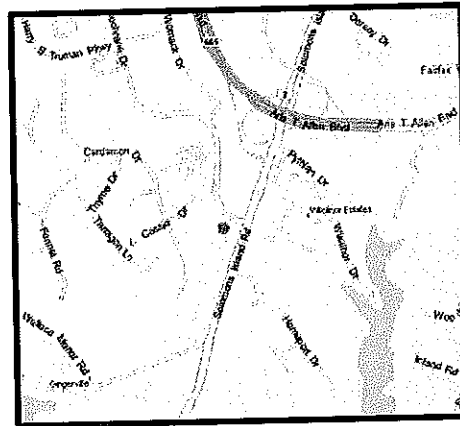
Sales History: No arm's length transactions within the three years prior to this sale.

Sale Verified: Published reports, CoStar Group, assessment records, deed

100 09/22 S16-776

Land Sale 3

Grantor: The Columbus Club of Annapolis, Maryland, Inc.
Grantee: D.R. Horton, Inc.
Recorded: 31120/154 Deed – Record Dates: 4/21/2017 – 6/30/2017



Location: 2590 Solomons Island Road, Edgewater, Maryland 21037 Anne Arundel County Tax Map 51D, in Grid 16, Parcel 165; now The Cove on Spa subdivision, as Lots 1-50.(recorded as Broad Reach Village). Located on the southeastern corner of the Admiral Cochrane Drive and Solomons Island Road intersection.

Land Area: 6.202 acres, level site that slopes steeply downward to intersection grade.

Improvements: 6,200 sq.ft. Knights of Columbus building and parking lot.

Buyer obtained the record plat of subdivision for 50 townhouse lots; interiors are 22 feet wide and end units are 27 feet wide.

Sale Price: \$3,750,000

Unit Rate: \$604,643 per acre
\$75,000 per lot

Zoning: R2, Residential District, R10, Residential District, and W1, Industrial Park District (Anne Arundel County)

Utilities: Public water and sewer.

Financing: cash to seller

Sales History: No other transactions within the 3 years preceding this sale.

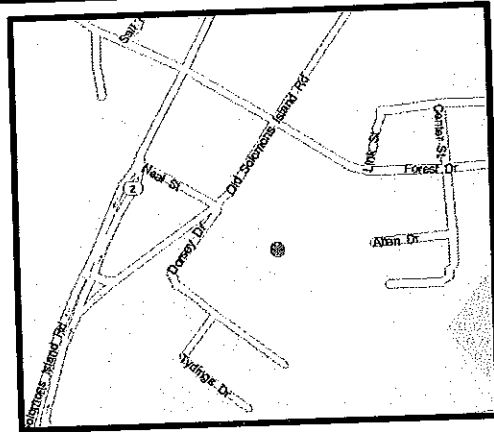
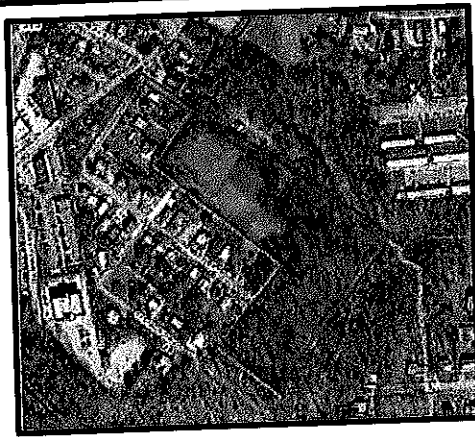
Marketing time: property was under contingent contract for a number of years while developer pursued subdivision plat

Verified assessment records, deed, plat, Arundel County Department of Public Works Utilities and Monuments web site, third party, buyer, published reports

100 5/11 S18-1064

Land Sale 4

Grantor: Hogan Real Estate Partners, LLC and Estate of John Prann
Grantee: ATNF, LLC, LLC
Recorded: 29103/308 and 30085/300 Deed – Record Dates: 12/10/15 – 12/16/15
and 9/19/16 – 9/22/16



Location: Intersection of Old Solomons Island Road and Dorsey Drive, Annapolis, Maryland 21401 Anne Arundel County Tax Map 51D, in Grid 6, as first part as Parcel 392, 8, 45, and 6 and as second part 64 and 65. Now Annapolis Townes at Neal Farm subdivision, as Lots 1-36 (first part) and 4 lots (second part). Located on the eastern side of the Old Solomons Island Road and Dorsey Drive intersection by panhandle, plus 0.3890 acres between Old Solomons Island Road and Dorsey Road.

Land Area: 8,040, gently sloping to rolling topography, irregular non-contiguous assemblage parcel shape

Improvements: Record plat ready subdivision. Wooded site and 4 small older SFDs. 54 townhouse lots; 24 20-foot-wide interior lots and 26 25-foot-wide lots. Plus 4 unknown width.

Sale Price: \$4,200,000 (\$3,900,000 and \$300,000)

Unit Rate: \$522,388 per acre
\$77,778 per lot

Zoning: B2, Community Shopping District, R1B, Single Family Residence District, R4, General Residential District (City of Annapolis) and C2, Commercial Office District (Anne Arundel County)

Utilities: Public water and sewer.

Financing: \$2,640,000 from Howard bank (assumed to be at market terms)

Sales History: Main portion of property sold as raw ground for \$1,500,000 in 9/2013. No other transactions within the 3 years preceding this sale.

Marketing time: unknown

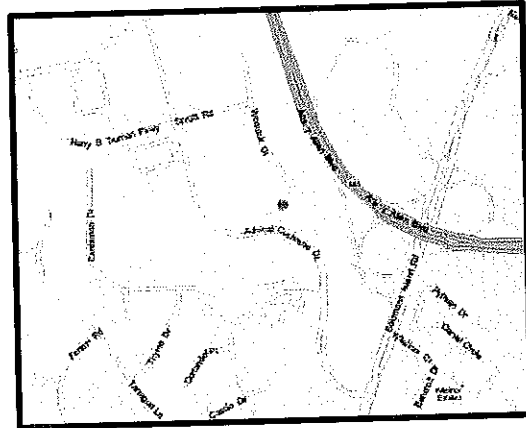
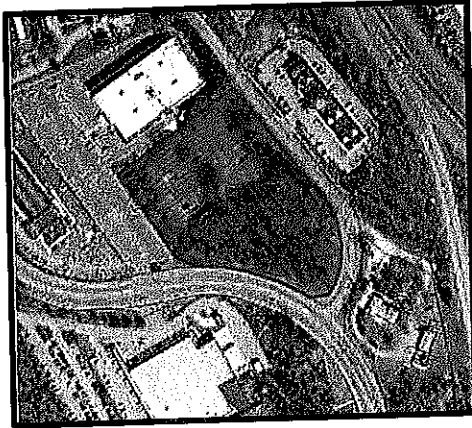
Comments: Buyer purchased frontage piece for 4 model homes and for land area to improve access road intersection.

Verified assessment records, deed, plat, Arundel County Department of Public Works Utilities and Monuments web site, third party

100 2/23 S17-851

Grantor: LSOP 3C VI, LLC
Grantee: Brookfield Admiral's Square, LLC
Recorded: 29083/248 Deed – Record Dates: 11/30/15 – 12/9/15

Land Sale 5



Location: 195 Admiral Cochrane Drive, Annapolis, Maryland 21401; Anne Arundel County Tax Map 51D, Grid 3, Parcel 185.
Located on the northern side of Admiral Cochrane Drive and Womack Drive intersection in the Annapolis Science Center park between Riva Road and Solomons Island Road.

Land Area: 4.9356 acres (214,998 square feet), rectangular/irregular shape, level

Improvements: mostly wooded with old pool, subdivision record plat
96 townhouse lots; 42 16-foot-wide interior lots, 14 23-foot-wide end unit lots, and 40 26-foot-wide back-to-back lots.

Sale Price: \$5,500,000

Unit Rate: \$25.58 per gross square foot
\$57,292 per lot

Zoning: W1, Industrial Park District with PTCGMA Periphery overlay (Anne Arundel County)

Utilities: all public

Financing: cash to seller

Sales History: Property purchased as raw ground as part of a significantly larger transaction in 5/14 for \$1,720,000. No other transactions within the 3 years preceding this sale.

Marketing time: unknown

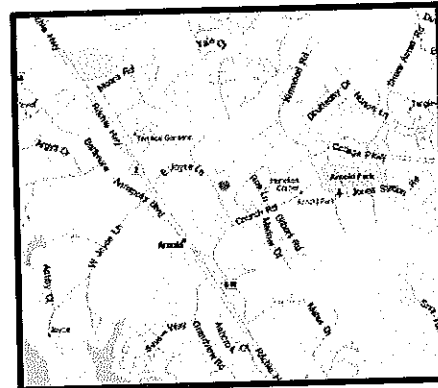
Comments: Property seller, Elm Street changed original office development plan to a residential development plan.

Verified assessment records, deed, Anne Arundel County Public Works, publications

100-02/14 S17-849

Land Sale 6

Grantor: Backbone Realty Company, LLC
Grantee: K. Hovnanian Homes of Maryland, LLC
Recorded: 31249/194 Deed – Record Dates: 8/3/2017 – 8/14/2017



Location: Arnold Ridge, East Joyce Lane, Arnold, Maryland 21012; Anne Arundel County, TM 39, Grid 12, Parcel 349 and 197.
Interior location on the east side of East Joyce Lane in Arnold off of Maryland Route 2 (Ritchie Highway).

Land Area: 11.07 acres, narrow rectangular/irregular shape, rolling topography with a stream crossing at the rear of the property.

Improvements: SFD of no value to purchaser. Engineering was completed necessary to subdivide the property into 51 townhouse lots with 22 foot wide centers and 29 foot wide ends.

Sale Price: \$4,900,000

Unit Rate: \$442,638 per acre
\$96,078 per townhouse lot

Zoning: R5, Residential District with nominal areas of R1, Residential District (Anne Arundel County)

Utilities: all public

Financing: \$3,201,917 (assumed to be at market terms)

Sales History: Property was assembled in 2014 from at least 3 different parcels. No other arm's length transactions within the three years prior to this sale.

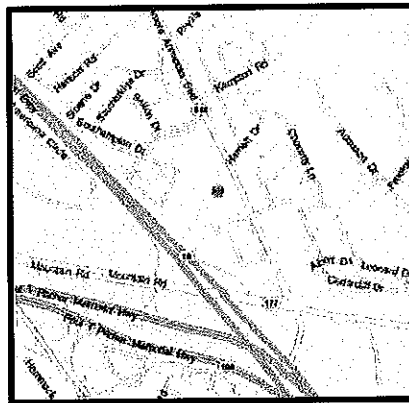
Marketing time: Unknown, developer approached buyer.

Sale Verified: Assessment records, deed, CoStar Group, subdivision plat, published reports

100 4/25 S18-1058

Grantor: Arnold Elliott Gunther
Grantee: Utz Enterprises, Inc
Recorded: 29022/184 Deed – Record Dates: 11/13/15 – 11/19/15

Land Sale 7



Location: 7856 Baltimore & Annapolis Boulevard, Glen Burnie, Maryland 21060; Anne Arundel County Tax Map 16, in Grid 9, as Parcel 137
West side of Baltimore & Annapolis Boulevard, 1,400 north of Mountain Road.

Land Area: 4.69 acres, irregular

Improvements: Wooded, pond, and a circa 1947 large single-family-detached dwelling which is to be razed.

Sale Price: \$1,200,000

Unit Rate: \$255,863 per acre
\$5.87 per square foot
\$29,268 per lot

Zoning: R15, Residential District (Anne Arundel County)

Utilities: All public

Financing: \$840,000 from Old Line Bank (assumed to be at market terms)

Comments: Purchased under a contingent contract. Buyer achieved a 41 townhouse lot development entitlement. 22 foot wide interior lots.

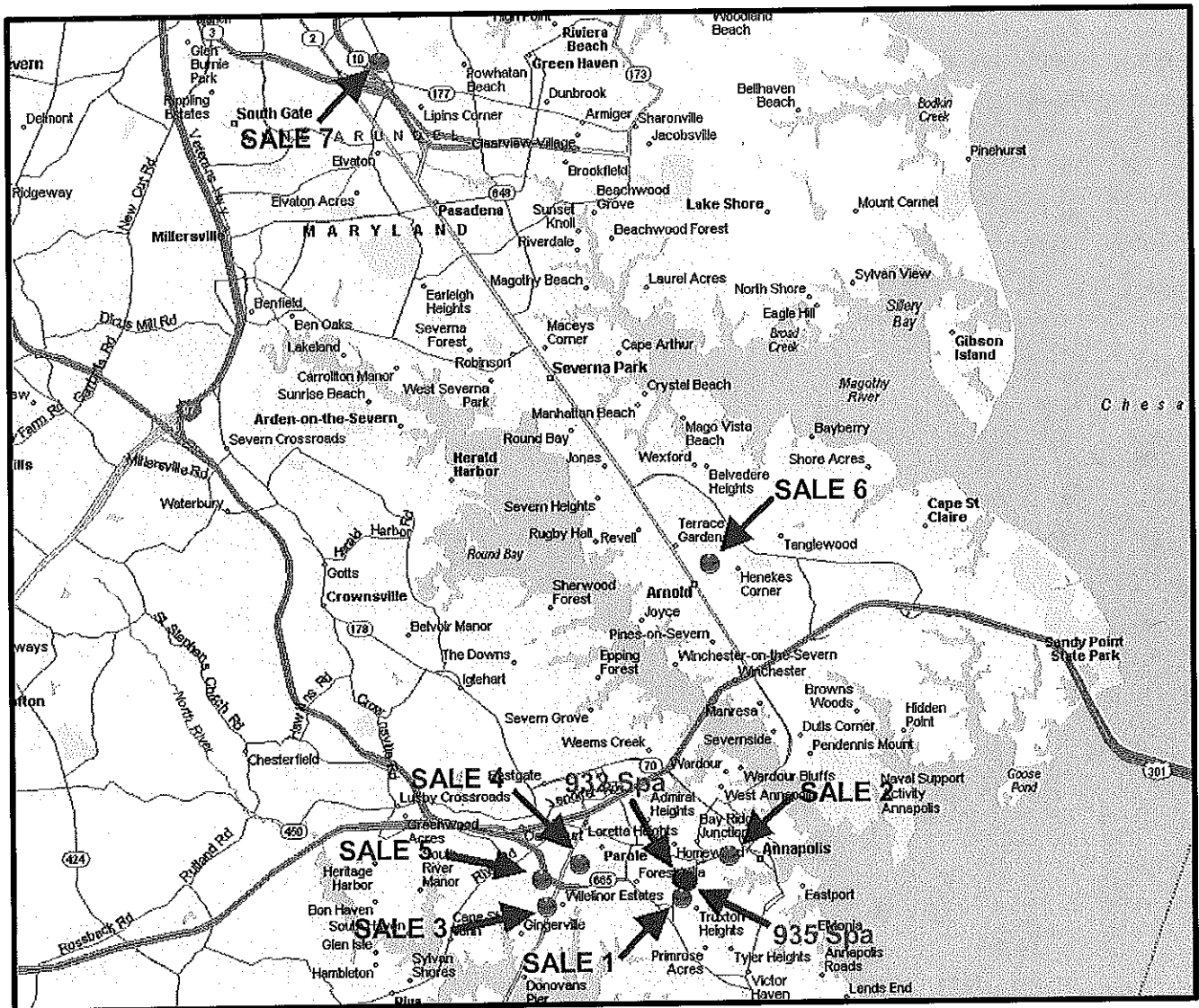
Sales History: No other transactions within the 3 years preceding this sale.

Marketing time: unknown, property was under contingent contract for several years while buyer pursued entitlements.

Verified assessment records, deed, plat, CoStar Group, Arundel County Department of Public Works Utilities and Monuments web site

100 5/11 S18-1064

LAND SALES COMPARISON MAP



932 Spa Road (west side)

The comparable sales are summarized and adjustments are presented in the following adjustment grid exhibit.

SALES COMPARISON APPROACH									
932 Spa Road (west side)									
IDENTIFICATION	Subject	Sale 1	Sale 2	Sale 3	Sale 4	Sale 5	Sale 6	Sale 7	
DATE OF APPRAISAL/SALE	Apr-18	Nov-18	Jun-18	Apr-17	Dec-15	Nov-15	Aug-17	Nov-15	
LOCATION	Annapolis	Annapolis	Annapolis	Annapolis	Annapolis	Annapolis	Annapolis	Glen Burnie	
	central Spa Road, near parks and school, some non-tidal Spa Creek visibility	central Spa Road	Inner West Street	Solomons Island Road and Admiral Cochrane Drive	Old Solomons Island Road	Admiral Cochrane Drive, mixed-use district	residential	residential, through roadway frontage	
GROSS ACRES	3.73	3.819	0.27	6.202	8.040	4.9056	11.07	4.89	
LOTS	19	36	25	50	54	96	51	41	
TYPE OF LOTS	narrow urban townhouse	THs, 24 and 36 foot widths	condos	THs, 22 and 27 foot widths	THs, 20 and 25 foot widths	THs, 16 and 23 foot widths and 28 foot wide back-to-backs	THs, 22 and 29 foot widths	THs, 22 and 25 foot widths	
ZONING	R3, R2, R1 with IDA, LDA and RCA CBCAs	R3 with IDA CBCAs	MX	R2, R10, W1	B2, R1B, R4, and C2	W1 with PTCGMA-Periphery	R5 and some R1	R15	
LEGAL STATUS	raw ground	subdivision plat	raw ground	raw ground	record plat ready	subdivision plat	engineering completed	raw ground	
SITES STATUS	industrial building, two portable offices, salt dome, paving	rough graded	2 small structures and cleared site	cleared with Koc building	wooded and 4 small SFDs	rough graded	SFD and wooded	SFD, pond, and wooded	
SEWER MAIN LINE EASEMENT	central on property but potentially movable if needed	none	none	none	none	none	none	none	
UTILITIES	all public	all public	all public	all public	all public	all public	all public	all public	
SALE PRICE	\$3,672,000	\$3,672,000	\$1,435,000	\$3,750,000	\$4,200,000	\$5,500,000	\$4,900,000	\$1,200,000	
PROPERTY RIGHTS	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
FINANCING ADJUSTMENTS	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
CONDITIONS OF SALE ADJUSTMENTS	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
SUB-TOTAL	\$3,672,000	\$3,672,000	\$1,435,000	\$3,750,000	\$4,200,000	\$5,500,000	\$4,900,000	\$1,200,000	
TIME ADJUSTMENTS (2% per annum)	3%	3%	4%	2%	5%	5%	0%	0%	
ADJUSTED SALE PRICE	\$3,782,160	\$3,782,160	\$1,482,400	\$3,825,000	\$4,410,000	\$5,775,000	\$4,900,000	\$1,200,000	
ADJUSTED PRICE PER LOT	\$193,535	\$104,503	\$59,696	\$76,500	\$81,667	\$59,696	\$96,078	\$29,268	
ADDITIONAL ADJUSTMENTS									
LOCATION	0%	-10%	5%	5%	10%	10%	10%	50%	
DEVELOPMENT SIZE	-5%	0%	-5%	-5%	-5%	-5%	-5%	-5%	
LOT/JUNIT MIX	-10%	0%	-10%	-10%	-5%	0%	-10%	-10%	
LEGAL STATUS	-30%	0%	0%	-30%	-30%	-30%	-25%	0%	
SITE STATUS	-10%	0%	-5%	-5%	-5%	-10%	-5%	-5%	
SEWER MAIN LINE EASEMENT	-5%	-5%	-5%	-5%	-5%	-5%	-5%	-5%	
UTILITIES	0%	0%	0%	0%	0%	0%	0%	0%	
TOTAL ADDITIONAL ADJUSTMENTS	-60%	-10%	-20%	-20%	-40%	-40%	-40%	25%	
ADJUSTED PRICE PER LOT	\$42,024	\$53,726	\$61,200	\$61,200	\$49,000	\$36,094	\$57,647	\$36,585	

Unadjusted, the sales reflect a wide range in price; between \$29,268 to \$102,000 per lot. Adjusted, the sales reflect a narrower range in value; between \$36,094 to \$61,200 per lot.

Based on an analysis of the comparable sales, it is my opinion that the appropriate, thus selected, per lot rate applicable to the subject is \$50,000.

19 lots @ \$50,000 per lot =	\$950,000
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From this estimate, a further adjustment must be made to reflect the impact of the MPDU lots. This analysis will project that the MPDU lots will sell for 50% of the at-market price. Thus:

19 lots @ \$50,000 per lot =	\$950,000
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Less 2 lots at \$25,000 MPDU deduction =	<u>\$50,000</u>
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Total:	\$900,000
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Therefore, based upon the sales comparison approach, subject to the Underlying Assumptions and Contingent Conditions contained herein, the fee simple fair market value of the 932 Spa Road (west side) subject property, as of April 26, 2018 was **\$900,000**.

935 Spa Road (east side)

The comparable sales are summarized and adjustments are presented in the following adjustment grid exhibit.

SALES COMPARISON APPROACH									
935 Spa Road (east side)									
IDENTIFICATION	Subject	Sale 1	Sale 2	Sale 3	Sale 4	Sale 5	Sale 6	Sale 7	
DATE OF APPRAISAL/SALE	Apr-18	Nov-16	Jun-16	Apr-17	Dec-15	Nov-15	Aug-17	Nov-15	
LOCATION	Annapolis	Annapolis	Annapolis	Annapolis	Annapolis	Annapolis	Annapolis	Glen Burnie	
	central Spa Road, adjacent to parks and school, some tidal and non-tidal	central Spa Road	Inner West Street	Solomons Island Road and Admiral Cochran Drive	Old Solomons Island Road	Admiral Cochran Drive, mixed-use district	residential	residential, through roadway frontage	
GROSS ACRES	8.24	3.819	0.27	6.202	8.040	4.9386	11.07	4.69	
LOTS	64	36	25	50	54	96	51	41	
TYPE OF LOTS	narrow urban townhouse	THs, 24 and 36 foot widths	condos	THs, 22 and 27 foot widths	THs, 20 and 25 foot widths	THs 16 and 23 foot widths and 26 foot wide back-to-backs	THs, 22 and 29 foot widths	THs, 22 and 26 foot widths	
ZONING	R3, R2 with IDA, LDA and RCA CBCAs	R3 with IDA CBCAs	MX	R2, R10, W1	B2, R1B, R4, and C2	W1 with PTCGMA-Periphery	R3 and some R1	R15	
LEGAL STATUS	raw ground	subdivision plat	raw ground	raw ground	record plat ready	subdivision plat	engineering completed	raw ground	
SITES STATUS	upgraded site, former fuel dispensary, linear field, stands snack building, paving	rough graded	2 small structures and cleared site	cleared with KoC building	wooded and 4 small SFDs	rough graded	SFD and wooded	SFD, pond, and wooded	
SEWER MAIN LINE EASEMENT	central on property but potentially moveable if needed	none	none	none	none	none	none	none	
UTILITIES	all public	all public	all public	all public	all public	all public	all public	all public	
SALE PRICE PER LOT	\$3,672,000	\$1,022,000	\$1,435,000	\$3,750,000	\$4,200,000	\$5,500,000	\$4,900,000	\$1,200,000	
PROPERTY RIGHTS	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
FINANCING ADJUSTMENTS	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
CONDITIONS OF SALE ADJUSTMENTS	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
SUB-TOTAL	\$3,672,000	\$1,022,000	\$1,435,000	\$3,750,000	\$4,200,000	\$5,500,000	\$4,900,000	\$1,200,000	
TIME ADJUSTMENTS (2% per annum)	3%	3%	4%	2%	5%	5%	0%	0%	
ADJUSTED SALE PRICE	\$3,782,160	\$1,059,860	\$1,492,400	\$3,825,000	\$4,410,000	\$5,775,000	\$4,900,000	\$1,200,000	
ADJUSTED PRICE PER LOT	\$105,980	\$29,163	\$59,696	\$76,500	\$81,667	\$59,696	\$96,078	\$29,268	
ADDITIONAL ADJUSTMENTS									
LOCATION	5%	5%	5%	10%	15%	15%	15%	55%	
DEVELOPMENT SIZE	0%	0%	0%	0%	0%	0%	0%	0%	
LOT UNIT MIX	-10%	-10%	5%	-10%	-5%	0%	-10%	-10%	
LEGAL STATUS	-30%	-30%	0%	-30%	-30%	-30%	-25%	0%	
SITE STATUS	-10%	-10%	0%	-5%	-5%	-10%	-5%	-5%	
SEWER MAIN LINE EASEMENT	-5%	-5%	-5%	-5%	-5%	-5%	-5%	-5%	
UTILITIES	0%	0%	0%	0%	0%	0%	0%	0%	
TOTAL ADDITIONAL ADJUSTMENTS	-50%	-50%	0%	-10%	-30%	-30%	-30%	35%	
ADJUSTED PRICE PER LOT	\$52,530	\$29,163	\$59,696	\$68,850	\$57,167	\$42,109	\$67,255	\$39,512	

Unadjusted, the sales reflect a wide range in price; between \$29,268 to \$102,000 per lot. Adjusted, the sales reflect a narrower range in value; between \$39,512 to \$68,850 per lot.

Based on an analysis of the comparable sales, it is my opinion that the appropriate, thus selected, per lot rate applicable to the subject is \$55,000.

64 lots @ \$55,000 per lot = \$3,520,000

From this estimate, a further adjustment must be made to reflect the impact of the MPDU lots. This analysis will project that the MPDU lots will sell for 50% of the at-market price. Thus:

64 lots @ \$55,000 per lot = \$3,520,000

Less 7 lots at \$27,500 MPDU deduction = \$192,500

Total: \$3,327,500

Rounded to: \$3,300,000

Therefore, based upon the sales comparison approach, subject to the Underlying Assumptions and Contingent Conditions contained herein, the fee simple fair market value of the 935 Spa Road (east side) subject property, as of April 26, 2018 was **\$3,300,000**.

RECONCILIATION AND FINAL VALUE ESTIMATE

The value estimates and projections by each approach are as follows:

ESTIMATED VALUE BY THE:

COST APPROACH:	N/A	N/A
SALES COMPARISON APPROACH:	\$900,000	\$3,300,000
INCOME APPROACH:	N/A	N/A

As only one approach was applicable, no reconciliation is necessary.

Therefore, with sole reliance given to the sales comparison approach, it is my opinion that the fee simple fair market value of the 932 Spa Road (west side) subject property, subject to the underlying assumptions and contingent conditions as contained within this appraisal report, as of April 26, 2018, was **NINE HUNDRED THOUSAND DOLLARS (\$900,000)**.

Therefore, with sole reliance given to the sales comparison approach, it is my opinion that the fee simple fair market value of the 935 Spa Road (east side) subject property, subject to the underlying assumptions and contingent conditions as contained within this appraisal report, as of April 26, 2018, was **THREE MILLION THREE HUNDRED THOUSAND DOLLARS (\$3,300,000)**.

REASONABLE EXPOSURE TIME

Reasonable exposure time is defined by The Appraisal Standards Board of The Appraisal Foundation as follows:

The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market values on the effective date of the appraisal; a retrospective estimate based upon an analysis of past events and assuming a competitive and open market.

Reasonable exposure time is presumed to occur prior to the effective date of the evaluation. In addition, different types of properties can have varying exposure periods with longer periods associated with special purpose properties or at higher price ranges. The estimate of a reasonable exposure period can be based on an analysis based on: (1) statistical information about days on market; (2) history of comparable sales; or (3) interviews with market participants.

The estimated value of the property is related to the exposure period for sale of the improved site. For the subject properties, an exposure period of no longer than twelve months is estimated to have occurred prior to the effective date of this appraisal.

QUALIFICATIONS OF GEORGE L. PEABODY, MAI

EDUCATION

B. S. Degree, Finance, University of Maryland, 1985

A.I.R.E.A. Courses:

Real Estate Appraisal Principles Course I-A, 1986
Basic Valuation Procedures Course I-B, 1986
Standards of Professional Practice (A, B, and C), 1986 (A and B), 1998 (C)
Capitalization Theory and Techniques Parts A and B, 1987
Case Studies in Real Estate Valuation, 1988
Writing and Valuation Analysis, 1989

Continuing education through Appraisal Institute sponsored seminars and courses including these courses of note:

Real Estate Capital Sources, Best Alternatives
Valuation of Detrimental Conditions
Maryland Senior Housing Seminar
Real Estate Appraisals for Federal and Gift Tax Purposes
Real Estate Fraud: Responsibilities and Liabilities
Appraisal of Local Retail Properties
Analysis of Operating Expenses
Valuation of Divided and Undivided Partial Interests
Multi-Disciplined Asset Valuation
Advanced Spreadsheet Modeling for Valuation Applications

PROFESSIONAL AFFILIATIONS

Member, Appraisal Institute, MAI Member #11749, Renewal Date: December 31, 2021
State of Maryland, Certified General Real Estate Appraiser, Registration # 2188

EXPERIENCE

Thirty-two years of experience in the appraisal and analysis of real estate.
1986 to 2001, Real Estate Appraiser and Consultant, Powell & Westholm, Inc.
2002 to 2010, Real Estate Appraiser and Consultant, Powell Peabody & Associates LLC
2010 to present, Peabody & Associates, LLC

QUALIFIED EXPERT WITNESS

Circuit Court, Anne Arundel County
Anne Arundel County Council
Property Assessment Tax Appeals Board, Anne Arundel County
Internal Revenue Service Appeals Hearing

EXTRA

19 years President and 18 years Clinic Commissioner of Annapolis Soccer Club; annually 1,200 total members (560 clinic participants) totaling some 2,700 seasonal player events.
7 years soccer coach at Annapolis High School

UNDERLYING ASSUMPTIONS AND CONTINGENT CONDITIONS

In conducting this appraisal, your appraiser has assumed that:

1. No responsibility is assumed for the legal description provided or for matters pertaining to legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated.
2. The property is appraised free and clear of any or all liens or encumbrances unless otherwise stated.
3. Responsible ownership and competent property management are assumed.
4. The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.
5. All engineering studies are assumed to be correct. The plot plans and illustrative material in this report are included only to help the reader visualize the property.
6. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or for obtaining the engineering studies that may be required to discover them.
7. It is assumed that the property is in full compliance with all applicable federal, state, and local environmental regulations and laws unless the lack of compliance is stated, described, and considered in the appraisal report.
8. It is assumed that the property conforms to all applicable zoning and use regulations and restrictions unless a nonconformity has been identified, described and considered in the appraisal report. The property is not subject to flood plain or utility restrictions or moratoriums, except as reported to your appraiser and contained in this report.
9. It is assumed that all required licenses, certificates of occupancy, consents, and other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.
10. It is assumed that the use of the land and improvements is confined within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted in the report.